

FINANCIAL TIMES

No.30,841

Friday May 12 1989

World News

Full Senate to vote on US-Japanese fighter deal

The full US Senate will vote on the \$7bn US-Japanese project to develop the FSX fighter aircraft, which narrowly escaped a committee bid by senators to block the deal. Page 20

Steel in Italy

David Steel, former leader of the UK Liberal Party, is to fight an Italian seat, the first time a leading politician from one EC country has fought in another. Page 20

Democrat resigns

John Mark, executive director of the US Democratic Steering and Policy Committee, resigned over an assault conviction. Page 3

Peking student call

Peking student activists plan to ask Mikhail Gorbachev to discuss freedom and democracy with them during his visit to China next week. Page 4

Kashmir violence

Terrorist violence has returned to Kashmir after a lull during the month-long Muslim fast of Ramadan. Page 4

Swiss rail link

Switzerland proposes to build two new Alpine rail tunnels to meet the European Community's request for a north-south freight route. Page 2

SA minister quits

Mr Chris Heunis, the Cape leader of the National Party, is to resign. Page 4

Mexican teacher pay

A majority of Mexico's dissenting teachers have decided to return to work, having accepted a final pay offer worth 25 per cent. Page 2

Turkish drug haul

Turkish para-military guards have seized 186 kilos of pure heroin with a street value of up to \$40m in Europe during a raid on a village near the Iranian border.

Recruit questioning

Public prosecutors investigating the Recruit financial scandal in Japan have questioned Takao Fujinami, a former chief cabinet secretary. Page 4

W German water

West Germany is to receive a formal legal complaint from the European Commission for failing to bring its water purity standards up to Community levels. Page 2

Thais back to work

The first 250 of nearly 10,000 Thai workers expelled from Singapore six weeks ago will return legally to their former jobs next week. Page 4

Wales appeal

Solidarity leader Lech Walesa told Italian President Francesco Cossiga that Poland had lifted the Iron Curtain and now needed Western economic aid.

Belgium-Zaire talks

Belgium and Zaire opened talks in Morocco in an attempt to end a dispute that has soured their relations since last December.

Coup for Dior

Christian Dior has ousted veteran fashion designer Marc Bohan and replaced him with an Italian in a surprise move that stunned the French fashion world.

Business Summary

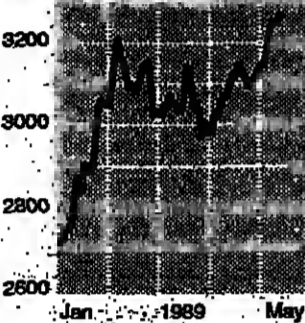
Grand Met share price falls despite \$500m profit

Grand Metropolitan, the UK food and drink group, announced interim pre-tax profits of \$500m, but share prices fell amid concern at its purchase of Pillsbury, the US food manufacturing and restaurant chain. Page 21

HONG KONG edged its way to another post-crash peak after a cautious day's trading. The Hang Seng index rose 4.12

Hong Kong

Hang Seng Index



to 3,285.10 after opening slightly lower. Turnover was higher at HK\$1.68bn.

ROYAL DUTCH Shell Group and British Petroleum, the private oil companies, said rising oil prices had a mixed effect on interim results. Page 21

GENERAL MOTORS of the US and Isuzu, GM's Japanese affiliate, are to invest \$116m to produce a four wheel drive vehicle in the UK. Page 8

LUFTHANSA German Airlines and Air China, the Chinese national airline, have signed a joint venture agreement in Peking. Page 6

AUSTRALIAN media magnate Rupert Murdoch, has made a bid to buy a Spanish television channel. Page 22

OCEAN TRANSPORT & Trading of the UK is buying 50 offshore vessels from VTC of West Germany. Page 20

WESTPHALISCHE Landmaschinen (WestLB), West Germany's fourth biggest bank, announced operating profits fell to \$40m. Page 22

GEEST, UK fresh produce business, bought a US manufacturer of chilled salads for up to \$17m. Page 30

LTV, US steelmaker, plans to build a \$200m steel mill in a joint venture with Sumitomo Industries of Japan. Page 23

BERGESSEN, Norway's leading bulk shipowner, has ordered two gas carriers from Japan's NKK Corporation. Page 6

NEWMONT Mining, the US gold producer part-owned by Consolidated Gold Fields of the UK, plans to transfer \$425m in debt to its coal subsidiary, Peabody Coal. Page 23

ESSO ITALIANA, subsidiary of the US energy group, cast an unusual vote of no-confidence in the Italian Government. Page 23

SANVIVIK, Swedish cemented carbide and special steels group, announced profits up 16 per cent. Page 22

HONDA of Japan has lost a five-year battle to build a motorcycle factory in Cordoba, Argentina. Page 6

BRITAIN'S 48 Group announced trading programmes worth \$5.4bn agreed with Chinese authorities. Page 6

KOTO MANUFACTURING, Japanese vehicle lighting company in which Mr T Boone Pickens, the Texan corporate raider, has taken a \$1bn-plus stake, has reinforced its anti-takeover defences. Page 24

NATIONAL Westminster Bank of the UK, is to increase its stake in Banco NatWest March, its Spanish banking subsidiary. Page 23

Baker to brief Nato today ● Bonn and London fail to agree ● Talks resume in June

Moscow plans new arms cuts

By Bruce Clark in Moscow

MR Mikhail Gorbachev yesterday launched what Moscow described as a "most important" arms control initiative, including unilateral cuts in short-range nuclear weapons, during talks with Mr James Baker, the US Secretary of State.

Mr Gorbachev's move came as Mr Baker left Moscow for Brussels where he is due to brief the Nato members. Nato is deeply divided over the issue of short-range arms.

UK officials were unable last night to comment on the Soviet proposals before seeing the details, which they expect to get from Mr Baker today.

But if Mr Gorbachev is again proposing negotiations on short-range nuclear forces (SNF), the British answer seems predictable: UK ministers have repeatedly ruled out such negotiations, arguing that once started they would lead inexorably to a "Third Zero" or the removal of all land-based short-range missiles.

They say this would fatally undermine Nato's "flexible response" defence strategy. Details of the Soviet proposals will emerge as Mr Eduard Shevardnadze, the Soviet Foreign Minister, arrives in West Germany, where the Bonn Government, in sharp contrast to Britain and the US, wants early negotiations on short-range nuclear arms.

Some UK officials said last night that a Soviet proposal for unilateral cuts in short-range forces might make it easier for Nato to resolve its internal argument about possible future negotiations on controlling this category of weapon.

In Moscow, Mr Shevardnadze was speaking after two days of talks with Mr Baker in which it was agreed that superpower negotiations on space and nuclear weapons would resume in mid-June.

He said Mr Gorbachev's proposal was "a most important initiative... concerning reductions in Soviet tactical nuclear armaments in Europe and a comprehensive resolution of this question."

He said the proposal contained some unilateral measures concerning the reduction of tactical nuclear weapons in Europe.

SHORT-RANGE NUCLEAR MISSILE LAUNCHERS Atlantic to Urals (April 1989)

Table with columns: NATO Missile, No, Range, WARSAW PACT Missile, No, Range. Rows include Lance, Phoson, and SS-20.

The Soviet move is widely expected to fuel US and British irritation at what they see as Moscow's efforts to exploit divisions in Nato.

Mr Shevardnadze's announcement stole the diplomatic thunder from Mr Baker, a few hours after the Secretary of State had acknowledged that he had discussed short-range arms with Mr Gorbachev, although he had given no indication that specific proposals were made.

He added that in the view of the Warsaw Pact's advantage in short-range missiles, "before we start talking about sitting down and negotiating... it would be advisable if that

US orders more troops to Panama

By Lionel Barber in Washington and Tim Coone in Panama City

PRESIDENT George Bush yesterday prepared to send several thousand US troops to Panama as part of an international effort to step up pressure on General Manuel Antonio Noriega, the country's military leader, to resign.

US officials said the troop deployment would aim to protect US citizens in Panama following a decision by Gen Noriega to invalidate last Sunday's presidential elections and crack down on the opposition.

The election results were nullified late Wednesday night after a day of violence which left several people dead and many injured, including Mr Guillermo Endara, the opposition presidential candidate.

Throughout the day, President Bush consulted with congressional leaders as well as other Latin American states in an attempt to isolate the Panamanian Government and persuade Gen Noriega to step down.

The dispatch of US troops, heightening what is already a tense atmosphere, would strengthen a US military force of about 11,000 in Panama. The deployment is believed to amount to 4,000 troops.

Foreign diplomats in Panama are increasingly worried about a rapid escalation of the crisis, and the growing possibility of a US military intervention. On Wednesday evening, US forces based in Panama were placed on a higher alert, to a stage before the evacuation of US citizens.

However, officials stressed that the US deployment did not signal the beginning of an invasion and that any immediate action would fall within the provisions of the 1977 Panama Canal Treaty.

In Panama, the atmosphere was tense after the previous day's violence and the decision to nullify the elections. On Wednesday night, Mr Guillermo Ford, the vice presidential candidate for the opposition alliance, was severely

US steps up pressure on Shamir over polls

By Our Correspondents in Jerusalem, Moscow and Washington

THE US has asked Israel to clarify key points of a proposal for elections in the West Bank and Gaza Strip, increasing pressure on Mr Yitzhak Shamir, the Prime Minister, to find a way to end the 17-month-old Palestinian uprising in the occupied territories.

The call came as the Bush Administration stepped up its diplomatic activity in the region with plans to send a team of specialists to the Middle East this weekend to discuss the elections issue.

Further pressure on Mr Shamir is likely after the agreement between Mr James Baker, US Secretary of State, and Mr Eduard Shevardnadze, his Soviet counterpart, in Moscow yesterday to intensify co-operation on the Middle East.

Mr Baker said he and Mr Shevardnadze had "talked about the importance of giving Continued on Page 20

elections leaves a breathing space in which Gen Noriega can decide what step to take next. It is a de facto recognition that Mr Carlos Duque, the pro-government candidate, would never be recognised as legitimate President by other Latin American countries, the US, or by European countries.

It also leaves an opening for negotiations between Panama and other Latin American countries. Since last Sunday's elections, the Bush Administration has been shaping a twin-track approach aimed at combining Latin American diplomatic pressure on Gen Noriega with the need to protect US citizens in Panama.

After a meeting between Mr Bush and congressional leaders, Democrats and Republicans expressed support. Mr Jim Wright, the House Speaker and top Democrat said: "His first responsibility is to ensure protection of American life and we embrace that."

In the meeting at the White House, the President set out the full range of options, which include further economic sanctions against Panama. Afterwards, the White House said Continued on Page 20

beaten and one of his bodyguards was killed by a paramilitary squad. Mr Ford was abducted and taken away in a police vehicle. Mr Endara had a suspected fractured skull.

Later on Wednesday night, Ms Yolanda Pulido de Rodriguez, president of the electoral tribunal, declared the elections "totally null and void" in a nationwide television broadcast arguing that "incidents have occurred... which have significantly altered the final results of the elections in the entire country."

She blamed the presence of foreign observers for having obstructed the electoral process and for promoting "the thesis of an electoral fraud."

The decision to nullify the

US orders more troops to Panama

By Lionel Barber in Washington and Tim Coone in Panama City

Bank details may be sent to US

Details of bank accounts held in London by General Noriega can be passed to US drug enforcement agencies, the British High Court has decided.

The bank had sought to prevent transfer of the information because it feared for the safety of its employees in Panama. Page 20

found by UK Customs officers investigating the laundering of drug money in a raid on the London offices of Bank of Credit and Commerce International.

The bank had sought to prevent transfer of the information because it feared for the safety of its employees in Panama. Page 20

beaten and one of his bodyguards was killed by a paramilitary squad. Mr Ford was abducted and taken away in a police vehicle. Mr Endara had a suspected fractured skull.

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NM Schroder to cut British workforce in business review

By Our Financial Staff in London

NM Schroder, the Australian-owned unit trust group and Britain's 15th-largest, "yesterday announced severe job cuts, reducing its UK workforce by about 15 per cent. The cutbacks are likely to be followed elsewhere in a sector which is already facing widespread rationalisation.

Schroder is making 180 redundant with the closure of two offices, centralising operations in an office in the south of England.

The troubled unit trust and linked life assurance group was until three years ago part of Schroder's, the leading City of London merchant banking group, and certain funds are still managed by Schroder Investment Management in London.

National Mutual Life Association of Australasia, Australia's second-largest life company, bought the Schroder retail investment business for \$23m (\$166m) in September 1986. Schroder's, the banking group, wanted to bolster its capital base during the stock market restructuring in October 1986.

But National Mutual wanted to expand in a new and larger market place, being severely limited in its own domestic Australian market, where it is the second-largest life office. Until 1986 National Mutual only operated a small, traditional life business in the UK, and sought an entry into the much more buoyant unit-linked area. But a year later the stock market crash led to a slump in the unit trust industry, forcing NM Schroder to carry out a comprehensive review of its business.

The latest cuts are part of a plan to improve profitability, reduce costs and develop a competitive strategy in an "increasingly difficult" market.

Among the casualties are Mr Ian Sampson, former head of the unit trust company, and Mr John Carr, the marketing director, who are both leaving.

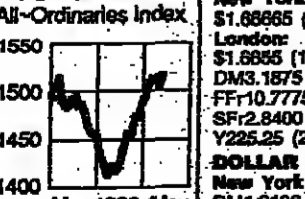
Mr Robert Taylor, chief executive of NM Schroder Financial Management, said the changes being implemented would give the group the ability to react swiftly and positively to market changes while maintaining competitive pricing policies.

"Our parent company is also committed to successful international expansion," he added. National Mutual faces a further problem when the banking group relaunches the Schroder name in the retail market in October.

The Australian group cannot use the National Mutual name because of a clash with a UK office. Consequently, it faces being left with the distinctly anonymous title of NM.

MARKETS

Australia All-Ordinaries Index



INTEREST RATES US 10-year Treasury

9.1% (9.1) 9-month Treasury Bill: yield: 8.7% (8.8) Long Bond: 9.7% (9.7)

STERLING New York 10-year

\$1.8965 (1.8735) London: \$1.8965 (1.8720) DM3.1875 (3.1850) FF10.7775 (10.7550) SF2.8400 (2.8300) Y225.25 (224.75)

DOLLAR New York 10-year

DM1.9196 (1.9015) FF6.4885 (6.4205) SF1.7085 (1.6910) Y135.235 (134.40)

STOCK INDICES New York 10-year

Dow Jones Ind. Av. 2,370.77 (+5.52) S&P Comp. 306.60 (+0.80) London: FT-SE 100 2,110.5 (-6.4) World: 145.25 (Wed)

Tokyo Nikkei Ave 34,061.48 (+89.14) Frankfurt Commerzbank 1,708.0 (-2.3) OHL Brent 15-day (Argus) \$18.525 (+0.575) (June)

West Tex Crude \$20.145 (+0.82) (June) COMEX June \$381.7 (379.0)

Sri Lanka's future balanced between hope and fear

President Ranasinghe Premadasa is a fighter with no hesitation about using ruthless means to achieve his ends. But some think the government will never again regain full control over the island. Page 4

Soviet Union: When a Matzo factory is not enough

Management: Ford's cosmopolitan carousel 9

Editorial comments: The City of London in second place; Antipodean blood sports 16

Politics Today: Why the British Labour Party is so excited 19

EMS: The right way to join 19

Leas Oil majors; Grandmet; Markets; 20

Surveys: Biotechnology 33-35

Financial Futures 44

Raw Materials 36

Stock Markets 45

Wall Street 48

London 37

Technology 39

Unit Trusts 30-41

Weather 20

World Index 48

Europe Companies 21-23

Agriculture 38

Arts-Reviews 17

World Guide 16

Commodities 36

Crossword 44

Management 9

Money Markets 18

Observer 44

Euro-options 44

Letters 19

Technology 39

Unit Trusts 30-41

Weather 20

World Index 48

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EUROPEAN NEWS

Switzerland acts to stop drug cash laundering

By William Dultforce in Geneva

THE SWISS Government has taken two important decisions aimed at preventing the laundering of "dirty" money through Swiss banks and companies.

The decisions, incorporated in a bill which will shortly be submitted to parliament, will plug a loophole in Swiss legislation which allows the profits of drugs trafficking to be laundered through Switzerland with impunity.

Government action has been spurred by disclosures of money laundering during the investigation into the "Lebanon Connection" heroin-smuggling case.

These disclosures led to the resignation of Mrs Elisabeth Kopp, the Justice Minister, in January. The government's bill will propose that anyone acting to thwart an investigation into the origin, the discovery or confiscation of assets that he or she knows, or must assume, stem from a crime will be committing a criminal offence.

For severe cases the penalty will be imprisonment for up to five years and a fine of up to SF1m (\$250,000). The law will state explicitly that the act is punishable even if the main crime was committed abroad.

Secondly, the government proposes a penalty of up to one year in prison and a fine can be imposed on anyone who does not show "sufficient care" in identifying the beneficial owner when accepting, transferring or helping to invest foreign assets. In the face of strong opposition from the banks the government has abandoned the idea of making "negligence" in handling laundered money an offence.

The banks had complained that this would turn them into policemen.

Mr Arnold Koller, the new Justice Minister, emphasised that the new law would apply not only to banks but also to money-changers and finance companies. Mrs Kopp's husband was vice-president of a finance company named by the prosecutor in the Lebanon Connection investigation.

Swiss plan £2.7bn Alpine rail tunnels

By Our Geneva Correspondent

SWITZERLAND proposes to build two new Alpine railway tunnels at a cost of SF7.6bn (£2.7bn) to meet the European Community's request for a north-south heavy freight route.

"Switzerland is building in her own interest but investing at the same time for Europe," Mr Adolf Ogi, the Minister in charge of transport, said when outlining the plan which will be put to parliament in the autumn and will probably have to be submitted to a national referendum.

The project aims at bringing into being two combined road-rail routes between southern Germany and Italy by which heavy lorries can transit through Switzerland on railway waggons. A new 49km tunnel will be pierced along

side the existing Saint-Gothard tunnel and a complementary 28.4km tunnel will be built at Lotschberg on the route between Berne and Brig.

Switzerland imposes a ban on lorries over 28 tonnes, with the result that the bulk of the EC's north-south heavy freight traffic currently has to take the Brenner pass in Austria, which is already overcharged.

The European Commission's proposal that Switzerland open a road corridor for 40-tonne vehicles has been refused by the populations of the Swiss cantons through which it would run. The Commission is continuing talks with Berne on both short-term and long-term solutions to the problem which is likely to be aggravated when the EC single market comes into being in 1993.

Bagnoli plant deal delay

ITALY'S anxiety to avoid reigniting controversy over the future of the Bagnoli steel smelter in Naples before the European parliament elections appears to be hindering a possible agreement with the European Commission which might delay its closure, John Wyles reports from Rome.

During a meeting with Mr Carlo Fracanzani, Italy's Minister for Public Investments, Sir Leon Brittan, the EC's Commissioner for Competition, is understood to have signalled his readiness to support an Italian request to maintain steel production at Bagnoli

beyond the July 1 closure date to which Italy originally agreed last year.

However, Sir Leon is also believed to have insisted that any Commission backing for a reprieve depended on the Italian government making a firm declaration that steelmaking would be shut down once the stay of execution had expired.

Mr Fracanzani undertook to discuss this with his colleagues, but it seems that he and other ministers do not want to risk a repetition of the street riots which hit Naples last December until after the June 18 poll.

Moscow to hold foreign currency auction

By Quentin Peel in Moscow

THE first auction of foreign currency for Soviet roubles will be held very soon, possibly this month, a top Soviet banker said yesterday.

The step marks the first very tentative move towards the still distant goal of a fully convertible rouble.

However, the auctions to be held by the Vneshekonombank (the Bank for Foreign Economic Relations) will initially be restricted to Soviet enterprises alone. Joint ventures and foreign companies will only be allowed to participate at a later stage.

The latest details were revealed by Mr Yuri Moskovsky, chairman of the Vneshekonombank, in an interview with Pravda, the Communist Party newspaper.

Mr Moskovsky said the auctions would enable Soviet enterprises operating exclusively within the domestic economy to gain access to hard currency, for example in order to import new equipment. At first only Soviet enterprises and organisations would participate. Later joint ventures, and then foreign companies could take part.

The Soviet authorities are pressing ahead with the auctions, first announced in December, in spite of widespread fears that they will result in a dramatic plunge in the value of the rouble on the auction floor.

The latest dire warning was published in the same newspaper only on Wednesday, by a leading academic economist.

"We will see just how far the rouble exchange rate is capable of plunging at the currency auctions, if we manage to get these off the ground," Professor Georgy Matinkin of the USA and Canada Institute said.

He warned that billions of roubles were in circulation without the backing of goods available to buy. The result would be virtually unlimited demand for foreign currency at rates far in excess of the black market.

"There are very serious doubts that these rouble auctions will work: the supply and demand for them would scarcely be balanced, even if the exchange rate were \$1,000 to the dollar," he said.

The official exchange rate is one rouble to \$1.6, but on the black market the rate is anything up to \$10 to the dollar.

Vneshekonombank's decision to exclude joint ventures and foreign companies from the auctions at first may be related to the concern at the imbalance between supply and demand which may emerge.

Mr Moskovsky said the duration of the auction would depend on how much foreign currency was offered. Under recent legislation, Soviet enterprises are allowed to retain a proportion of their export earnings, and it is from this limited pool that the supply of hard currency in the auctions is supposed to come.

When a matzo factory is not enough

Despite liberalisations, Soviet Jews are still haunted by prejudice, writes James Blitz

FOR half an hour, the elderly Jewish man, an old soldier in his 70s, asked questions. What is the world like outside the Soviet Union? What do people think of Gorbachev? What is the political situation like in Israel? He paused. "Can you help me get to Israel?" he asked.

He and his family are among the half-million Soviet refugees who still want to leave the USSR, some for Israel and most for the US, but who have not yet received their exit visas. These days there is an irony underlying their request. They are trying to leave the Soviet Union just as the authorities are allowing the country's 2½m Jews to lead a religious life that has been impossible for six decades.

Indeed, the refusenik's plea to emigrate was all the more remarkable for the place where he was making it. For as long as inside the Mikhoels Centre, the first Jewish cultural organisation to be set up in Moscow since the height of Stalinism, and the kind of institution Soviet Jews have been dreaming about since before the war.

Only a year ago, such an institution still seemed a far-off prospect. In May last year, a hundred Jews from all over the country gathered in Moscow to set up this kind of cultural movement. For three days, they searched the city for a building in which to hold their meeting, but no Soviet

citizen would risk the wrath of the authorities by giving a venue to a Jewish group.

The gathering was eventually held in a park, in the company of several dozen KGB men who played loud recorded music to drown out the speeches, asked repeated questions of the participants and followed most of them home.

They were also responsible for burning three trucks belonging to the kosher baker which catered for the opening ceremony at the Mikhoels Centre.

During the March Soviet election campaign, Pamyat supporters gained great notoriety for breaking up an election meeting called by Mr Vitaly Korotych, the editor of this reform-minded magazine

them.

For refuseniks, the gloom provoked by Pamyat is brightened only by knowing that it is getting easier to get an exit visa for abroad. Last year, 20,000 exit permits were issued by the Soviet authorities, the highest number since 1980. And the figure is rising: already this year, 12,804 Jews have been allowed to leave. Every day, Muscovites walking in the Arbat area of the city can see around 400 people queuing for visas outside the new Israeli mission.

The presence of an Israeli delegation is another boon to Moscow's Jews. The two countries do not have full diplomatic relations, and the Israelis have to borrow rooms in the Dutch embassy and the Ukraine Hotel. But Israel's delegates hope that if full relations are restored, it will be accompanied by an even greater rise in immigration. One representative admits, however, that there is little that the delegation can do to help Soviet Jews against provocation from Pamyat or to increase the number of exit visas granted. These are internal Soviet affairs.

Leaving the Mikhoels Centre, the refusenik has a cheerful look, brought on by brief contact with someone from the outside. But as he sees more of his friends getting permits to leave, his loneliness gets greater. He is waiting for a bureaucrat somewhere to draw a tick against his name.

It is hard to believe that the perestroika of Jewish life will not go on.

One year on, the Jewish cultural centre has solid walls, and the KGB are outside them. The Mikhoels Centre, named after one of the USSR's greatest Jewish actors, is situated on an attractive site in the Taganka district of Moscow, the heart of the old town.

Mr Mikhail Gluz, the centre's director, says six lectures on Jewish culture have already been held there, each attended by around 200 people. There is a theatre and an exhibition hall, both newly-plastered, a lending library and a reading room. Most buildings in the Soviet Union.

The new centre is just one milestone among the many passed by the Jewish community in the last year. Several weeks ago, a new Jewish newspaper appeared in Moscow for the first time, called News

about Soviet Jewish Culture. It is well produced by an official Soviet printer, though relatively expensive at 75 kopeks (75p).

The inauguration of Moscow's first Jewish newspaper was preceded by the opening of Moscow's first matzo factory, just in time for Passover. And last week, the authorities gave back to a Moscow synagogue one of its former buildings, the first time that property taken from the Jewish community has been returned.

The Soviet government's new policy is not perfect. Mr Gluz points out, for instance, that the Mikhoels Centre has received no official recognition from the Soviet Ministry of Culture, merely the ministry's "blessing".

This means, for example, that the centre has no official plaques with its name on the front door.

But it is hard to believe that the perestroika of Jewish life will not go on. Why, then, does my refusenik acquaintance want to leave now?

He asked me to hand over my notebook, reached for a pen and scribbled. He had written one word: Pamyat.

He did not give a pronoun, the name of the anti-semitic group whose many supporters threaten Jews and distribute anti-Jewish literature. The group almost certainly vandalised the only synagogue in the Siberian city of Krasnoyarsk last month, and set fire to the only Jewish bakery in Siberia.

The gloom is lifting for refuseniks, as it is becoming easier to get an exit visa.

Ogonyok. The old refusenik says that he knows Mr Korotych is not Jewish, but that he has often spoken out on behalf of Soviet Jewry. He picks up his copy of Ogonyok and gives a thumbs up.

Many brightening people because it is backed by a number of hard-line communist officials.

Last year, the organisation held several large and provocative meetings in Leningrad, which the city's communist leadership made no attempt to halt. Indeed, the new Jewish newspaper reports in its first edition that "in almost every Leningrad constituency, members of Pamyat were selected to run as candidates for the new Soviet Congress of People's Deputies." Around seven per cent of this city supported

EC energy plan faces pitfalls

By Will Dawkins in Brussels

EFFORTS to introduce freer competition to the European Community's energy industry yesterday ran into potentially serious national differences.

A meeting of the EC's 12 Energy Ministers confirmed that several countries will encounter problems with plans being considered by the Commission to scrap a range of restrictive practices in the coal, electricity, oil and gas industries.

Several member states expressed caution over a draft directive, due to be tabled by the Commission in July, to force utilities to provide more information about gas and electricity prices. While they accepted that the measure would help consumers compare prices, they feared it might be too bureaucratic.

A clear division emerged over a Commission request for member states' views on whether EC gas and electricity distributors should open their doors to all suppliers. The UK and France have been keen for a so-called "common carrier" system, a stance that reflects the openness of the British grid and France's eagerness to

sell cheap nuclear electricity across Europe.

However, this ran into resistance from West Germany, keen to protect its coal mines, and Spain, which is still upgrading its own grid.

The result was a compromise which called for more interconnection between national grids but fell short of supporting common carrier rights, dismissed as "a predictable fudge" by one national official.

Meanwhile, an attempt by West Germany to pave the way for EC-wide adoption of its own tough rules on pollution from oil refineries met stiff resistance. The environmentally-minded Danish and Dutch supported the plan, but the UK and Ireland felt it would impose an unnecessary cost to their own refineries. Ministers agreed the Commission should investigate whether German environmental rules were putting its refineries at a competitive disadvantage and submit proposals "if necessary".

An existing Commission plan to extend free public procurement rules to the energy industry met resistance from the UK yesterday. This would

create needless red tape for North Sea oil and gas producers, which would be covered by the directive as holders of government licences, said officials.

A separate discussion on whether to end a 1975 EC restriction on the use of gas in power stations produced further differences. Mr Peter Morrison, the British Energy Minister, argued that the rule should be scrapped because it only curbs the use of a relatively pollution-free fuel, while his French and German counterparts resisted such a move, sensitive to the competitive positions of their nuclear and coal industries.

EC governments agreed yesterday to club together to encourage efficient electricity use.

The scheme is the latest environmental gesture from an EC that is becoming increasingly sensitive to green issues. Adopted by EC energy ministers, it will establish regular meetings among national officials to co-ordinate ways of encouraging business and private consumers to save electricity.

W German coal industry hit by wildcat strikes

By David Goodhart in Bonn

WILDCAT strikes in the West German coal industry have greeted the West German Government's decision not to officially contest the European Commission's controversial plan to substantially reduce coal subsidies throughout the EC.

Bonn allowed the deadline of May 9 to pass without lodging a complaint, much to the displeasure of the coal companies and unions and the two major coal producing states - North Rhine Westphalia and the Saarland.

However, the Government claims it will achieve more for the coal industry in private negotiations with the EC than through formal conflict. Officials are also hopeful that France's liberalist, the strongest opponent of German coal subsidies, will tone down its opposition in the light of the benefit to its nuclear industry from the likely abandonment of the

German nuclear reprocessing plant at Wackersdorf.

Earlier this year the EC produced a report recommending that energy subsidies should be cut back - and eventually eliminated - in order to realise a common market in energy.

West Germany is the biggest coal subsidiser in the EC spending about DM10bn a year to compensate the utilities and steel producers for the extra cost of hiving German coal. The utilities claim back the difference between German coal and cheap imported oil through levying an extra 8.5 per cent on electricity bills - the so-called Kohlepremie.

The current agreement between the Government and the utilities runs out in 1995, but the EC now wants the Kohlepremie substantially reduced by 1993. Bonn is expected to come up with a plan to do so by the end of September.

Spain defends social initiatives

By David Buchan in Brussels

CRITICISM of Prime Minister Margaret Thatcher's new tougher line towards EC social policy initiatives came yesterday from the Spanish government, currently holder of the Community Presidency.

Mr Pedro Jones Mira, Spanish minister for EC affairs, yesterday singled out fiscal harmonisation and social policy as priority areas for the Spanish presidency. At the same time, he noted that EC governments had given formal approval to, or reached basic political agreement on, some 27 directives since Madrid took over

the presidency on January 1.

UK opposition to the Lingua programme to promote foreign language learning in schools "greatly concerns us", because the proposed Ecu 250m (£162m), five-year programme was part of an effort to create "a Europe for citizens", Mr Solbes told the Centre for European Policy Studies. He also professed himself baffled at UK opposition to the European Commission's proposal for an EC identity card for pensioners, allowing them to benefit from cheap travel and entertainment in other member

states. He said that this was only "a recommendation".

His criticism of the UK government was qualified, however, by noting that London had not obstructed progress on worker health and safety directives this year.

UK diplomats objected to the identity card plan because it did not take account of the Community's different retirement ages, while the Lingua programme for primary and secondary schools was unacceptable because it would extend Community competence into a new area.

Commission set to move against Bonn on water

By David Buchan in Brussels

WEST GERMANY is very shortly to join the UK and Italy in receiving a formal legal complaint from the European Commission for failing to bring its water purity standards up to long-agreed Community levels, officials in Brussels said yesterday.

The move against the Bonn government, which is expected to be followed by similar action against Belgium and Greece, is part of a widening Commission crackdown on many member states for failing to conform with a 1980 drinking water directive, even though they had a five year grace period, until 1985, in which to comply. The impending complaint to

Bonn is likely to wound the pride of West Germans who regard themselves as being among the most environmentally conscious in the Community.

Meanwhile, the UK, where the prospect of EC legislation has already complicated privatisation of the water industry, is in store for more trouble, according to Mrs Anne Taylor, the Labour opposition spokeswoman for the environment. AER talks yesterday with EC officials, she said the Commission was contemplating action to try to clean up drinking water in Yorkshire and bathing water along the Lancashire beaches of Formby and Southport.

OECD sees blocks to efficient new technology

By John Gapper

The failure of companies to break down work demarcations and achieve skill flexibility has limited productivity growth from new technology, according to an Organisation for Economic Co-operation and Development report.

The report, which was published at a conference in Rome yesterday, argues that most OECD countries have suffered from a "productivity paradox" of lower growth rates despite new technology because of persistence of traditional work structures.

It says companies will have to move towards broader skill

definitions, more re-training, and payment linked to individual competencies in order to reap the full productivity potential of information technology in particular.

They will have to shift away from a pyramid-shaped grade structure towards a flatter model in which more people are concentrated in middle skills grades. These workers have to be given incentives to re-train and work flexibly.

The report commissioned by OECD Labour Ministers and prepared by a group of experts including senior managers and trade unionists, also argues

that broader general education for young people and more adult courses are required.

It says young people need a higher minimum threshold of competency to compete in a labour market where new skills will constantly be required by technological change. The competencies should be a base for skill flexibility.

The report, called New Technologies in the 1990s, points to Japanese and Nordic models of workforce involvement linked to substantial training and re-training as ways of making the maximum gains in productivity from new technology.

It says that employers who have used new technology to de-skill jobs have mostly found it an inefficient method. Both companies and unions have interest in enhancing skills as part of the process of technological change.

Mr Ulf Sundqvist, chief general manager of the Labour Savings Bank of Finland and chairman of the group that prepares the report, told the conference that an increasing part of a manager's job would be to help the creativity of workers.

Denmark plans tax reforms

A reduced corporate profits tax from 50 to 35 per cent will be a main feature of a tax reform plan to be presented by the government within the next few weeks, according to version 1 of the plan, which has been leaked. Hillary Barnes reports from Copenhagen.

Prime Minister Poul Schluter, head of the minority government, has labelled the plan "the reform of the century".

The government has run into a barrage of opposition from all the other parties in the Folketing for proposing to suspend the automatic inflation-linking of pensions and other transfer payments.

Abortion lobby celebrates in conservative Belgium

By Tim Dickson in Brussels

BELGIUM'S pro-abortion lobby was anticipating an "historic" victory yesterday and political commentators pondered the possibility of a new rift on the issue within the centre-left coalition government.

The excitement was caused by a joint Senate Commission's surprisingly large vote (26 to 15) in favour of modifying the country's long-standing ban on abortion so that women "in a condition of distress" could interrupt their pregnancy up to the end of the first 12 weeks.

If, as many now hope, the draft proposal receives the assent of the full Senate and becomes law (perhaps by late summer), it would mark the end of a bitter and frustrating 20-year battle by campaigners to overturn the 1867 Napoleonic code on which the existing ban is based.


"There is still a long way to go and there could yet be amendments," warned the leader of one prominent women's group yesterday. Passions aroused by the

abortion issue are often on the same scale as those evoked by Catholic Belgium's smouldering language dispute, with divisions crossing both party and cultural lines.

Mr Wilfried Martens, the Belgian Prime Minister, has played down suggestions this week the issue could inflame tensions in the five-party coalition of Socialists, Social Christians and the Flemish nationalist Volkunie, which has managed to survive for 12 months without any big political

crises. Some however, wonder whether the subject could provoke instability in the Government after the European elections in the middle of June.

While the politicians have been arguing over whether Belgium should join all other EC countries except Ireland, clinics and hospitals have been carrying out operations in an open defiance of the law. An estimated 30,000 abortions take place each year in Belgium, with many more women going abroad.



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Subscription rates: £120 per annum (including postage) in advance. Single copies 5p. US subscription rates: \$365.00 per annum. Second-class postage paid at New York, NY and at additional mailing offices. POSTMASTER: send address change to FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-100 Copenhagen-K, Denmark. Telephone: (01) 13 44 41. Fax: (01) 533335.

AMERICAN NEWS

Washington puts regional US moves cautiously to undermine Noriega

By Andrew Marshall and Robert del Quirio

THE PANAMANIAN decision to nullify Sunday's election result provides a temporary breathing space for the negotiating track which Washington has opened, involving Latin American governments in US policy to an extent rarely witnessed.

But the Latin American reaction to US involvement in Panama is, and will continue to be, deeply ambivalent. On the one hand, the semblance of "Yankee imperialism" will always evoke hostile reactions in the hearts and minds of those south of the Rio Grande. On the other, General Manuel Noriega of Panama has been an embarrassment. Removing him quickly, quietly, and without violence, is in the interests of all those Latin American countries which have painfully struggled with democracy for the last decade.

Whenever Uncle Sam is seen to be putting pressure on any Latin American regime or political faction to do Washington's will, the rest of Latin America feels a visceral revulsion and, arisen from that, a strong desire to have the big northern neighbour desist forthwith.

Other governments in the region may have little liking for General Noriega, as a suspected drug trafficker and flagrant manipulator of democratic processes. But, when such comes to shove, he is perceived by his peers in the region as a Latin American with a strong line to follow over his country's main physical asset, the Panama Canal.

The general has a remarkable combination of charisma and cunning. He has presented himself, despite the taint of drug trafficking and internal repression, as a nationalist who can, and does, prevent his tiny and marginally viable country sinking into colonial status vis-à-vis the US. Such a

posture is similar to that of every politician, the length of the ideological and opportunistic spectrum, throughout Latin America.

He who tweaks the disappearing nose of Uncle Sam is never without admirers in a region where the heavy combination of envy and loathing for the rich, foreign neighbour and creditor is always ready to break surface and raise a cheer.

However, Gen Noriega is not the sort of leader who is acceptable for the long diplomatic and political haul to such civilian centrists as President Carlos Andrés Pérez of Venezuela or President Alan García of Peru, who are committed, for sensitive historical reasons in their own countries, to continuity of elected administration in Latin America as a whole, as well as at home.

Deep worry from the south

In a statement last night from the Group of Eight - Mexico, Venezuela, Argentina, Peru, Uruguay, Colombia, and Brazil - which expressed their "deep worry" over the results.

As governments from Mexico City to Buenos Aires contemplate affairs in Panama at present, they fervently wish the whole mess would go away, without the US raising its pressure on Noriega any further.

The general himself is embarrassing the other members of the region's family of nations with ballot-rigging and bullying of the local opposition.

The Group of Eight said the crisis "could distance even further the Panamanian government and democratic community of Latin America, during a historic moment in which free and popular expression is advancing in a way never

before seen in our region."

From that, it follows that such civilian presidents will be hoping, and quietly pressing, that a way be found for similar figures in Panama, unconnected to Gen Noriega, to come to power in Panama City, via a further round of elections in that country.

The Group of Eight Latin American states pressed for nullification of the elections on Wednesday night, and the announcement thus represents a small victory. It is a *de facto* recognition that the electoral fiction which Gen Noriega had sought to establish as fact, of free and fair elections confirming his legitimacy, cannot be preserved.

The Group will not now feel pressed to recognise a government of Mr Guillermo Endara, the opposition candidate, who won Sunday's election by a two- or three-to-one margin according to all independent assessments. At the same time, there is now no necessity to recognise the government of Mr Carlos Drupe, the Noriega-backed candidate who is the self-proclaimed victor of the elections. This opens the way for some compromise - involving new elections under multilateral supervision, or a coalition.

The involvement of Latin America in US policy that has been achieved in the last 48 hours is a remarkable achievement; it may even herald a productive solution to a problem that has long bedevilled the White House. But, if Washington were to lose its patience and embark on a policy of military intervention, there would be a mighty outcry of Latin American outrage on behalf of Gen Noriega, their fellow under the old threat. This will be a powerful argument for keeping the negotiating track open as long as possible.

By Lionel Barber in Washington

FOR ALL the uncertainty and high tension in Panama, the Bush administration appeared yesterday to be developing a coherent policy aimed at persuading General Manuel Noriega to step aside from power in the Central American country.

It is a cautious, step-by-step approach based on extensive consultation not only with congressional leaders but also with Latin American governments - a stark contrast with the unilateral, high-profile approach to foreign policy often favoured by the Reagan administration. "This time we want to avoid the impression of this being a conflict between Noriega and the gringos."

Unlike President Reagan, Mr Bush seems to have recognised that Latin America has almost as much at stake in the future of Panama as has the US

itself - partly through the continued safe operation of the Panama Canal, still a significant channel for commerce in the hemisphere, but also because Latin American states, several of which have emerged recently from military dictatorship, are aware they have a stake in publicly upholding the principle of democracy.

The Latin Americans' Group of Eight statement on Panama may not go as far as some US officials would have liked, but it is a welcome shift from last year's deafening silence when the Reagan administration tried belatedly to rally Latin American support for the removal of Gen Noriega. Moreover, it follows individual criticism of the rigged elections by figures as diverse as President Alan García of Peru, no friend of Washington given his views on debt strategy, and a behind-the-scenes role by President Carlos Andrés

Pérez of Venezuela aimed at isolating the Noriega regime.

However, Mr Bush must weigh the power of diplomacy with the more acute domestic political concern of protecting American lives. There are more than 40,000 US citizens in Panama including 10,000 troops who form part of the US Southern Command, which is based by the canal. Many of these US dependents live outside the base camps and are potential hostages.

If, as seems likely, Mr Bush increases the number of US combatants on the spot, that would be to extend protection rather than mark the first step towards an invasion. Military force to remove Gen Noriega is still regarded as a last resort.

By consulting Congress early, Mr Bush is sticking to his familiar refrain of "bipartisanship" in foreign policy.

But he must also be aware that, ever since Vietnam, Congress has been more wedded to quick military action, such as the Grenada invasion, rather than prolonged missions such as the (ultimately successful) one to the Middle Eastern Gulf, where American lives are at risk.

So far, Mr Bush seems to have struck a balance between consultation and action, building an international consensus on the rigging of the elections and winning domestic support for the principle of multilateral diplomacy.

These are only the opening moves, though, in a highly fluid atmosphere inside Panama. The threat to US lives, the uncertainty over the durability of the Panamanian opposition, and the unpredictability of Gen Noriega, mean that the most difficult decisions are yet to come.

Panama's politics grow up under fire

Tim Coone assesses a week in which an opposition was blooded

PANAMA has changed irreversibly. Smoke from burning tyres and rubbish mingles with the nauseous, acrid smell of teargas along the elegant Avenida España, the main road through the banking centre of Panama City. Protestors are prepared for the first time to brave the danger of beatings, birdshot and even bullets from the riot police, and to come back for more.

A watershed has been crossed by the political opposition to Gen Manuel Antonio Noriega, the country's strongman behind the civilian facade. The violence to which its leaders and supporters have been subjected in the past days by the so-called Dignity Battalions, the general's shock troops, has stripped opposition Panamanian politics of their naivety.

The favourite joke of foreign

journalists, that "Panama's opposition is prepared to fight to the last drop of American blood", is no longer valid. The ambulances waiting along Panama's streets on Wednesday carried both dead and wounded from the violence. The struggle to remove the general from power has begun in earnest.

According to one West European diplomat in Panama, "the Europeans agree that last Sunday's elections were a fraud. Their nullification is nothing more than an acceptance by the government that it lost. The next step must be the resignation of General Noriega."

Unlike last year, when Gen Noriega's problems with the US were largely seen as a bilateral issue, in the space of less than a week his regime has suddenly found itself totally isolated.

With the exception of lame statements of support from

Cuba and Nicaragua, the world is turning its back on Gen Noriega. The lacklustre leaders of the opposition, branded as traitors and lackeys of US imperialism by Gen Noriega wrapping himself in the nationalist banner, have been converted overnight into martyrs by the violence he has unleashed against them. Even erstwhile government supporters have been horrified by Wednesday's brutal beatings of the ADOC opposition leaders, which a German friend called, "reminiscent of pre-war Nazi tactics".

For the first time, the racial and class barriers between the darker-skinned working class, and the lighter Panamanian middle and upper classes, in the past ably exploited by the general, are beginning to break down.

The people building the bar-

ricades along the Avenida España included doctors, teachers and office workers.

Gen Noriega has backed himself into a corner. The nullification of the elections on Wednesday night, a move of dubious constitutional legality given the government's efforts to engineer a fraud, has created a momentary breathing space for both sides to consider their next moves.

Indications that the nullification came as a result of pressure from the Group of Eight Latin American leaders suggests that Gen Noriega may be responding to diplomatic approaches and looking for a way out. The sending of US troop reinforcements to Panama is the stick being used to beat him in that direction.

Dr Ricardo Arias Calderón, the only one of the three main ADOC leaders in an adequate

physical condition to speak to reporters on Wednesday night, was insistent that he wants to see a peaceful, negotiated solution to the crisis despite the government's unprecedented violence, which he described as "an act of extreme desperation".

The two "indispensable conditions" for a solution, he said, are "a recognition of the legitimate election results" which, according to independent observers, gave ADOC a landslide victory, and "a new understanding between civilians and the military to allow the military to function in a way that these events will never happen again". The *sine qua non* for that understanding has been previously spelt out: the resignation of Gen Noriega and a new constitutional subordination of the armed forces to civilian rule.

Mexican teachers finish strike by taking pay offer

By Richard Johns in Mexico City

MORE THAN half of Mexico's discontented teachers have decided to return to work, having accepted the Ministry of Education's final offer of a pay increase which gives them the equivalent of a 25 per cent salary increase, including improved benefits.

Classes throughout the country should resume as normal next Tuesday, but the settlement considered a cost to the Government, which is committed to budget austerity, and also its anti-inflationary policies.

The teachers' pay rise is the highest awarded this year for any group of workers except for those in the pharmaceutical industry who received one of 25 per cent plus 8 per cent in benefits.

Inflation in the first four months of this year has been 6.4 per cent, according to the Bank of Mexico's consumer price index. The Government's

goal of restricting it to 18 per cent this year is threatened by other pay settlements in the view of independent economists.

Under the Pact for Economic Solidarity and Growth, which was concluded last December by government, labour leaders and business, the increase in the minimum wage was limited to 8 per cent.

Negotiations between the official leadership of the 1.2m-strong National Union of Education Workers (SNTE) under the new leadership of Ms Elba Esther Gordillo, and the rebel faction known as the National Co-ordinator of Education Workers (CNTE), ended on Wednesday.

The major achievement of the CNTE - resulting from a dispute lasting almost a month - was the resignation of the dictatorator Mr Carlos Jonguitud Barrios, formerly "leader for life" and "spiritual

guide" of the SNTE.

At the same time Mexico City's bus drivers have resumed work although it was not immediately clear on what terms. The return to the streets of thousands of exhaust-belching buses of Ruta-100 followed an agreement at the weekend.

It followed a decision by Mr Manuel Comacho Solís, Mayor of Mexico City, to transform the loss-making service, which is subsidised heavily by the Federal Government, into a co-operative administered by the Government but majority-owned by the workers. They rejected a pay rise of 50 per cent.

Their resumption of work came after a federal judge issued on Tuesday a temporary injunction ruling against the Government's decision to terminate dealings with the drivers' union.

US retail sales show signs of slowdown

By Anthony Harris in Washington

FURTHER evidence of a US economic slowdown appeared yesterday with an official estimate that retail sales rose by only 0.4 per cent in value in April, which implies a sharp fall in real volume. Market estimates had suggested a rise at least three times as big. The dollar and shorter-term bond rates, despite uncertainty over producer price figures, to be published later today.

A particular surprise is that turnover in the depressed car market shows virtually no improvement, despite a sharp recovery in unit sales in the first three weeks of the month. This suggests that inventories have been cleared only with the help of abnormally large discounts.

At the same time the latest Blue Chip economic forecast, an average of 51 leading pri-

vide sector economists, shows that two thirds of the panel now expect a recession within the next year, with 21 per cent looking for it to begin in 1989.

The three-month figures show no growth at all over the last half year, seasonally adjusted - a peak in which goods price inflation has been running at about 4 per cent annually. This suggests that volume has fallen at least one per cent in the last quarter.

The only buoyant turnover reports came from the clothing and furniture sectors, both recovering from very depressed earlier sales, and from the food stores, where prices have been rising sharply.

Comparing the last three months with the same period in 1988, sales value has risen by 5 per cent, or 6.5 per cent excluding the car sector.

Wright protégé quits over assault scandal

By Anthony Harris in Washington

A SCANDAL which has further damaged Mr Jim Wright, the House of Representatives Speaker, was resolved yesterday with the resignation of his protégé Mr Tom Mack, an executive director of the Democratic Party Steering and Policy Committee.

In 1978 Mr Mack pleaded guilty to a brutal assault on a young woman. He was given a 15-year sentence, but released after only 2 1/2 years, largely because of the intervention of Representative Wright, whose daughter was married to Mr Mack's brother.

A recent interview with the victim aroused strong sympathy, and Mr Mack's continuance in office became a grave embarrassment for the embattled Speaker.

Strong support for Peruvian stoppage

By Veronica Baruffati in Lima

A THREE-DAY armed strike called by Sendero Luminoso, Peru's Maoist guerrillas, in three central departments has had overwhelming support.

On Wednesday, the first day of the strike, the streets of the main towns in the departments of Huancayo, Junín and Pasco, were deserted, despite the presence and promises of protection by military patrols.

The guerrillas have taken advantage of the vacuum in Peruvian government, caused by the Cabinet's resignation on Monday, to paralyse agricultural and mining activities in these three areas, and to instil enough fear in the pop-

ulation to keep them at home.

As Mr Guillermo Valverde, prefect of Huancayo departing, said: "The strike has been supported by the population not because of personal conviction but because they feared bloody retaliation by subversive elements."

These central Andean departments are the agricultural and mining backbone of Peru. Whoever controls them is in a strong position to cut off supplies coming to the capital from the hinterland.

As part of its strike tactics, Sendero Luminoso terrorists blew up overhead electricity

cables, plunging large parts of Lima and the country into darkness. Seven lorries bringing food supplies into Lima from the interior were intercepted and sent away. Buses were ambushed, passengers told to descend and then the buses were set alight.

A cargo train carrying food supplies was derailed. Bridges and banks were blown up. A policeman at his station and two air force officials travelling on a bus were shot dead.

Hundreds of police are patrolling the streets in an attempt to prevent any more terrorist activities.

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OVERSEAS NEWS

Bangkok moves to boost competition among banks

By Ringer Mathewa in Bangkok

THAILAND'S Finance Ministry has announced a package of measures to boost savings and stimulate greater competition in the banking sector.

Mr Pramual Sabhavasri, the Finance Minister, simultaneously launched a scathing attack on the country's commercial banks, accusing them of making excessive profits to use for their own benefit.

The executives of the banks paid themselves very high salaries, according to the minister, while some also used the bank's resources for their own purposes. But they made no contribution to the public good and had not responded to government requests to be alleged.

Mr Pramual said he intended to end the present 5.5 per cent spread between the ceiling on deposit rates and the ceiling on banks' lending rates, which was far wider than in most countries. Banks would be allowed to compete freely for deposits. This should allow smaller banks with lower overheads to offer more attractive rates to depositors than some of the larger, less efficient institutions, he said.

"I do not think that the com-

mercial banks have tightened their belts sufficiently," he added. "When the ceiling for deposit rates is floated, the public will stand to benefit because the banks will have to compete more intensely among themselves." However the minister rejected any increase in the 15 per cent ceiling on lending rates as demanded by some of the banks.

He also promised other measures to encourage savings. These included:

- Reducing the tax levels on reserves put aside by companies for future investment.
- Slashing personal taxes on interest earned from deposits ranging from \$400 to \$4,000.
- Introducing new tax incentives on life insurance policies.
- Introducing a mandatory social welfare savings scheme.

There has been considerable speculation in Bangkok that the government has been studying the operation of Singapore's Central Provident Fund, to which companies and employees make fixed contributions, but which can only be drawn down for specific purposes, such as housing and retirement benefits.

Thailand's accelerating economic growth over the past decade, with a record 11 per cent achieved last year, has created a widening gap between investment and savings.

Officials estimated at the start of this year that in the period to the end of 1991 there would be an annual shortfall of nearly \$6bn, equivalent to about 7 per cent of gross national product, unless steps were taken.

Mr Pramual is also an enthusiastic proponent of privatisation, and is locked into a political battle in the cabinet over his attempt to introduce greater competitiveness into the banking sector.

But perhaps the most serious threat the minister could offer to the established banks is to grant licences to more of the foreign institutions which have been knocking at Bangkok's door for several years.

Top Nakasone aide questioned over Recruit

By Stefan Wagstyl in Tokyo

PUBLIC prosecutors investigating the Recruit financial scandal in Japan have moved closer to the heart of political power by questioning Mr Takao Fujinami, a former chief cabinet secretary, about his role in the affair.

Mr Fujinami is the most senior politician to be questioned so far in the scandal which concerns the distribution of financial favours to influential people by Recruit, a fast-growing publishing group.

The questioning of Mr Fujinami will increase the political pressure on Mr Yasuhiro Nakasone, the former prime minister, who regards Mr

Fujinami as his top lieutenant. It will also dash the hopes of those few members of the ruling Liberal Democratic Party, who might have believed the prosecutor would stop short of investigating senior politicians, if only for lack of evidence. Only one other politician has so far been questioned, an opposition party member. The 13 people who have been arrested are all civil servants and businessmen, including Mr Hiromasa Kase, Recruit's founder.

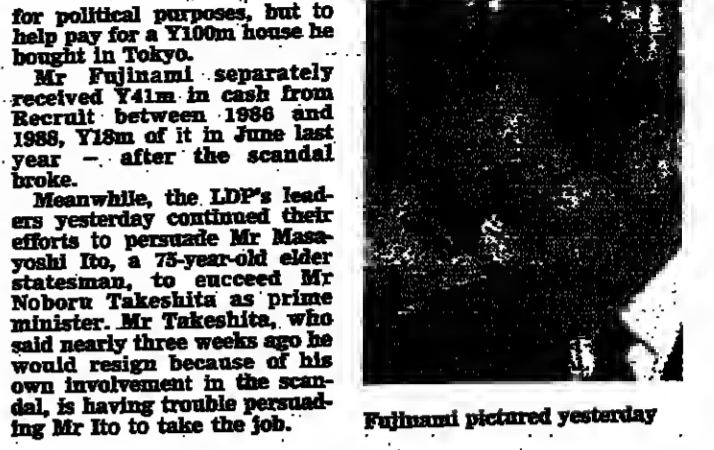
The allegation against Mr Fujinami is that, during Mr Nakasone's administration, he used his influence to help further Recruit's business interests. The Tokyo Public Prosecutor's Office has studied evidence that he allegedly spoke against suggestions that employers should abandon a gentlemen's agreement by which they co-ordinated their approach to potential recruits. The impact of Recruit's recruitment magazines depended on this agreement.

In return, Mr Fujinami's secretary, Mr Eiji Tokuda, received 14,000 out-price shares in Recruit Cosmos, a property subsidiary of Recruit, which were later sold for a profit of about ¥26m (£115,000). A particularly damning allegation is that Mr Fujinami used the money not

for political purposes, but to help pay for a ¥100m house he bought in Tokyo.

Mr Fujinami separately received ¥41m in cash from Recruit between 1984 and 1988, ¥18m for it in June last year — after the scandal broke.

Meanwhile, the LDP's leaders yesterday continued their efforts to persuade Mr Masayoshi Ito, a 75-year-old elder statesman, to succeed Mr Noboru Takeshita as prime minister. Mr Takeshita, who said nearly three weeks ago he would resign because of his own involvement in the scandal, is having trouble persuading Mr Ito to take the job.



Fujinami pictured yesterday with Ito. Fujinami is seen on the left, and Ito is on the right.

Ito stands firm in quest for Tokyo reform

Stefan Wagstyl on Takeshita's problems in finding a successor as Prime Minister

MR Noboru Takeshita, the Japanese Prime Minister, who late last month announced his intention to resign, is finding it more difficult than he expected to appoint a successor.

His legendary skills in manipulating the vested interests which compose the ruling Liberal Democratic Party are being tested to the limit by Mr Masayoshi Ito, the stubborn old man who has been singled out for the prime ministership.

Mr Ito is not being bullied. "I know that senior party officials have called me obstinate," he told reporters this week. "That makes it more difficult for me to accept."

Mr Ito, a 75-year-old elder statesman, has been chosen by Mr Takeshita and other party leaders because of his clean political reputation. They believe that only he can restore public confidence in the party in the wake of the Recruit financial scandal, which has tarnished the names of a whole generation of LDP leaders, including Mr Takeshita, Mr Shintaro Abe, the party's secretary general, and Mr Yasuhiro Nakasone, the former prime minister.

The delay in appointing a successor is becoming embarrassing for the LDP — which hoped the prime minister's resignation might clear the political air — and for Japan as a whole. But the tortuous negotiations are vital to the future of Japanese politics, especially for political reform. Mr Ito's reluctance to take office is his best bargaining counter: he will never be a well-placed agent to demand concessions from Mr Takeshita.

The nub of the argument is that Mr Ito refuses to be a puppet prime minister. Even though he is ill, he intends to

do the job properly. As a former prime minister (he briefly took office in 1980 when the incumbent died) and current chairman of the party's executive committee, Mr Ito understands the party's inner workings. But he is one of few senior ruling party politicians who is serious about political reform. He believes the LDP must change radically if it is to avoid future financial scandals. He will not have his cabinet decided for him by others.

Such idealism makes other party leaders feel decidedly uncomfortable. They believe they are making a great concession to public opinion in considering Mr Ito at all. For all his experience in high office, Mr Ito carries little real political clout in the party. The prime ministership is traditionally reserved for leaders of the factions which make up the party, such as Mr Takeshita, Mr Nakasone, and Mr Abe.

Mr Ito is only a senior lieutenant in the faction led by Mr Kichii Miyazawa, the former finance minister who himself resigned over his involvement in the Recruit scandal. By contrast, Mr Takeshita, far from being banished into the wilder-

ness by his imminent departure from office, holds great sway as the leader of the largest faction.

The scandal has prompted some younger party members to establish cross-factional pro-reform groups, but the faction heads reign supreme. Nothing annoys them more than Mr Ito's demand that he should choose his own cabinet.

Certainly, the party wants to see the damage caused by the Recruit affair repaired. It fears losses in elections to the upper house this summer and to the lower house of the Diet (Parliament) in 1990.

But most senior politicians want reform carried out with the minimum possible change to the existing system,

especially the channels which carry money from business into politics. "The last thing anybody wants is an Ito revolution," says Mr Dan Harada, a political analyst.

Nevertheless, party leaders are trying to show their commitment to reform this week by publishing a programme of specific measures to be enacted by the end of the year. They include requirements for politicians to disclose property and stock transactions and reveal more details about the sources of political donations. This might just be enough to satisfy Mr Ito.

However, the courting of Mr Ito is further complicated by political differences among the senior politicians who are vying for him. Mr Ito is particularly incensed about reports that the senior faction leaders are already squabbling over who will be the first position to resign over a financial scandal, increased his power in the party after he quit. That was despite the appointment of a "Mr Clean" prime minister to succeed him. Mr Ito will have his work cut out trying to prevent Mr Takeshita from doing the same.

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Party leaders will almost certainly be forced to concede on this point. But Mr Ito is also holding out for something else which the leadership may find harder to deliver. This is a pledge from Mr Nakasone to come before the Diet and explain his role in the Recruit affair.

Mr Nakasone was a chief beneficiary of the financial support which Recruit, a business information group, distributed to politicians and other influential people. Until this week, Mr Nakasone consistently refused to explain himself — to the intense annoyance of Mr Takeshita, who believes that since he himself has resigned over the scandal the least Mr Nakasone can do is to come clean.

Under intense pressure, Mr Nakasone has this week agreed to speak — but not necessarily under oath and not until after the public prosecutor investigating the affair has completed an interim report.

Mr Ito has gained support for his principled stand among the younger members of the party and among the general public. But the course of the talks over his appointment show that further shocks may be needed to force the senior party figures to accept the reforms he has in mind.

After all, every Japanese politician knows that Mr Kakuei Tanaka, the last prime minister to resign over a financial scandal, increased his power in the party after he quit. That was despite the appointment of a "Mr Clean" prime minister to succeed him. Mr Ito will have his work cut out trying to prevent Mr Takeshita from doing the same.

Singapore readmits Thai workers

By Roger Matthews in Bangkok

THE FIRST 250 of nearly 10,000 Thai workers expelled from Singapore as illegal immigrants will return legally to their former jobs next week.

The mass expulsion six weeks ago, under threat of caning and jail sentences, caused government anger in Bangkok and has led to serious labour shortages on several big Singaporean construction projects, including the new terminal building at Changi airport.

The Thai Interior Ministry said Singapore had asked for 15,000 Thai workers but arrangements would be made only for the 9,740 who had been expelled. They would go back on strictly agreed contracts specifying salary and overtime payments, with the Singaporean employers taking responsibility for their food, accommodation and transportation costs.

Singapore employers would

also have to post a \$1,000 bond per worker with the Labour Department in Bangkok as a guarantee.

The introduction of these conditions underlines the bitterness felt by some Thais at Singapore's action. Thai officials argue that the illegal presence of so many foreign workers in Singapore could not have occurred without the connivance of some Singaporeans. And, as fellow members of the Association of South East Asian Nations, it should have been possible to resolve the issue without Thailand having to send ships and trains to bring its nationals home, especially now the workers were going back.

Some Thai publications have been more aggressive in their response, suggesting that it will take some time before relations between the two countries return to normal and

pointing to the potential for other, mainly economic, conflicts. The Thai government has been specifically urged to block any attempt by Singapore to gain influence in Indochina by using Thailand as a springboard.

Singapore's recent announcement that it was sharply tightening the conditions under which its nationals could visit Vietnam was seen in Bangkok as implied criticism of the unilateral Thai initiatives to bring about a Cambodian settlement.

Singapore meanwhile has sought to play down the impact that its policy towards illegal foreign workers has had on neighbouring countries. This week 500 Indians sought refuge in their embassy grounds in Singapore as diplomats sought to have them repatriated without suffering the legal penalties.

Ito stands firm in quest for Tokyo reform

Stefan Wagstyl on Takeshita's problems in finding a successor as Prime Minister

MR Noboru Takeshita, the Japanese Prime Minister, who late last month announced his intention to resign, is finding it more difficult than he expected to appoint a successor.

His legendary skills in manipulating the vested interests which compose the ruling Liberal Democratic Party are being tested to the limit by Mr Masayoshi Ito, the stubborn old man who has been singled out for the prime ministership.

Mr Ito is not being bullied. "I know that senior party officials have called me obstinate," he told reporters this week. "That makes it more difficult for me to accept."

Mr Ito, a 75-year-old elder statesman, has been chosen by Mr Takeshita and other party leaders because of his clean political reputation. They believe that only he can restore public confidence in the party in the wake of the Recruit financial scandal, which has tarnished the names of a whole generation of LDP leaders, including Mr Takeshita, Mr Shintaro Abe, the party's secretary general, and Mr Yasuhiro Nakasone, the former prime minister.

The delay in appointing a successor is becoming embarrassing for the LDP — which hoped the prime minister's resignation might clear the political air — and for Japan as a whole. But the tortuous negotiations are vital to the future of Japanese politics, especially for political reform. Mr Ito's reluctance to take office is his best bargaining counter: he will never be a well-placed agent to demand concessions from Mr Takeshita.

The nub of the argument is that Mr Ito refuses to be a puppet prime minister. Even though he is ill, he intends to

do the job properly. As a former prime minister (he briefly took office in 1980 when the incumbent died) and current chairman of the party's executive committee, Mr Ito understands the party's inner workings. But he is one of few senior ruling party politicians who is serious about political reform. He believes the LDP must change radically if it is to avoid future financial scandals. He will not have his cabinet decided for him by others.

Such idealism makes other party leaders feel decidedly uncomfortable. They believe they are making a great concession to public opinion in considering Mr Ito at all. For all his experience in high office, Mr Ito carries little real political clout in the party. The prime ministership is traditionally reserved for leaders of the factions which make up the party, such as Mr Takeshita, Mr Nakasone, and Mr Abe.

Mr Ito is only a senior lieutenant in the faction led by Mr Kichii Miyazawa, the former finance minister who himself resigned over his involvement in the Recruit scandal. By contrast, Mr Takeshita, far from being banished into the wilder-

ness by his imminent departure from office, holds great sway as the leader of the largest faction.

The scandal has prompted some younger party members to establish cross-factional pro-reform groups, but the faction heads reign supreme. Nothing annoys them more than Mr Ito's demand that he should choose his own cabinet.

Certainly, the party wants to see the damage caused by the Recruit affair repaired. It fears losses in elections to the upper house this summer and to the lower house of the Diet (Parliament) in 1990.

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especially the channels which carry money from business into politics. "The last thing anybody wants is an Ito revolution," says Mr Dan Harada, a political analyst.

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Peking students' Gorbachev plea

By Ringer Mathewa in Peking

PEKING student activists said yesterday they planned to ask Mr Mikhail Gorbachev to discuss freedom and democracy with them during his visit to China next week. Reuter reports from Peking.

Members of Peking University's protest-organising committee intend to take an open letter to the Soviet embassy in Peking inviting Mr Gorbachev to deliver a speech at their campus, students said.

Arab League visit revives Beirut truce

By Lara Marlowe in East Beirut

BEIRUT hostilities were supposed to cease when a new ceasefire after such an unpropitious morning surprised everyone in the exhausted city, and residents of Beirut were hoping to gain at least a few days of peace from the Arab League's latest efforts.

Lebanese who were initially encouraged by the imminent arrival of the observer force have grown frustrated with the league's refusal to send troops while shelling continues.

The Arab League has not said how its 312-man observer force will be able to monitor up to 60,000 Lebanese and Syrian soldiers and militiamen, nor has it decided where they will be deployed. Gen Aoun has insisted that they be present in Syrian artillery positions, while the pro-Syrian camp is now demanding that observers be stationed along the coast of the Christian enclave.

In West Beirut, Dr Hoss, a retired ally of Syria, earlier made a brief declaration in which he said that the support of the Soviet Union for the Arab League's initiative was essential to its success. Dr Hoss's statement strengthened a growing conviction here that only Moscow can restrain Syrian troops, who disregarded the Arab League ceasefire all of this week. As living conditions continue to deteriorate in East Beirut, support for Gen Aoun appears to be waning.

Israeli banks in interest rate row

By Hugh Carnegie in Jerusalem

A BITTER row over high interest rates has blown up in Israel between the commercial banks and Mr Michael Bruno, governor of the Bank of Israel, the central bank.

After simmering for months, the issue boiled over this week when Mr Bruno launched an outspoken attack on the banks at the normally staid annual general meeting of the Association of Banks.

He startled the assembled executives by threatening to

invoke the Bank of Israel's authority to impose interest rates if the banks did not lower their controversially high rates on short-term unlinked shekel loans by June 1.

Rates on such facilities, which account for about 20 per cent of commercial and private local loan activity, stand at an average of 36 per cent, a real interest rate of about 20 per cent.

They shot up at the end of last year in a wave of foreign

currency buying before a devaluation of the shekel. They have since fallen, but not fast enough for the Bank of Israel, among whose concerns is the slow rate of investment in the sluggish Israeli economy. It wants the rates down to 30 per cent this month.

Today Mr Bruno is to meet the bank heads to start discussions on resolving the matter. The bankers will argue that interest rates should fall steadily, not in abrupt jumps.

South African cabinet minister to stand down

By Anthony Robinson in Johannesburg

MR Chris Heunis, the Cape leader of the National Party and Minister for Constitutional Development, yesterday announced his decision to resign the ministerial post on July 1 and not to stand for re-election at the September 6 elections.

His decision follows a similar announcement this week by Mr Stoffel Botha, the Home Affairs Minister and the announced retirement intentions of two other ministers, Mr Danie Steyn, (Economic Affairs) and Mr Greyling Wentzel (Agriculture).

Given the resignation of Mr Pletzer, the Minister of Manpower, earlier this year after allegations of corruption, the latest development provides Mr de Klerk with a free hand to pick a new cabinet.

It leaves him free to promote younger men loyal to him if, as expected, the National Party wins the election with a comfortable majority and he is subsequently elected state president in succession to the retiring President P W Botha.

Mr Heunis, who was chosen by Mr Botha to succeed him as Cape party leader, seemed the heir apparent until he was nearly defeated by Mr Denis Worrall, the former ambassador to London, in the May 1987 elections. Since then his stock has continued to fall as the bureaucratic empire he built up to provide a constitutional framework for reforms aimed at bringing blacks into government, without white control, failed to deliver.

On Wednesday the Rev Alan Hendrickse, leader of the ruling Labour Party in the coloured House of Representatives, delivered a humiliating blow to the minister when his party refused to approve the constitutional affairs budget on grounds that there had been no constitutional development.

Mr de Klerk is due to make a major policy statement in parliament today, spelling out the main themes of the party's electoral manifesto and setting it along a more determinedly reformist path.

Troops to go home

By Ringer Mathewa in Peking

Soviet troops stationed in Mongolia's Gobi desert will soon leave for home after guarding against the threat of Chinese invasion for more than 20 years. Reuter reports from Ulan Bator. The troops are to leave the remote desert outpost of Shivee Gol, near the Chinese border, before September.

Offshore application

By Ringer Mathewa in Peking

Mauritius has received its first offshore banking licence application, five months after opening up business as a tax haven, banking regulators said. Reuter reports from Port Louis. Barclays Bank of London has applied to open an offshore facility on the island.

S Korea student death torture fears

By Maggie Ford in Seoul

A SOUTH Korean university student has been found dead in the provincial city of Kwangju amid fears that he may have been tortured by security police.

The student had been dumped by police for allegedly violating the national security law. His badly decomposed body was found in a pond about five days after his death.

Police have cracked down on students and dissidents since six riot police were burnt to

death during a student demonstration a week ago.

President Roh Tae Woo yesterday ordered an immediate investigation into the student's death, warning that there must be no suspicion of a cover-up by the authorities.

A strike in the union of Barclays Bank yesterday placed an advertisement in a Seoul newspaper urging the bank's manager, Mr Alan Timbick, to return to the office to continue pay negotiations.

Expatriate managers at the bank were refused permission by union members to leave the office last week with cases of documents in order to continue business elsewhere. Police were called and the managers set up a temporary office in a hotel, where they were later found by protesting union members.

A meeting between the union and Korean bank officers is scheduled to be held today.

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Kashmir terrorism flares again after Moslem fast

By David Housego in New Delhi

TERRORIST violence has returned to Kashmir after a lull during the month-long Moslem fast of Ramadan.

Shops and offices were closed and streets deserted in the centre of Srinagar, the capital, as part of a strike called by militant Kashmiri Moslem groups seeking more autonomy for the province. Two people were killed on Wednesday night and four injured when terrorists threw a bomb from a motor-bike into a liquor shop. The attack was evidently intended to deter Kashmiri Moslems from breaking the Islamic prohibition on drinking alcohol.

Wednesday night's explosion brought the number of blasts in Srinagar and nearby Anantnag up to 13 since the weekend. The extremist organisations had threatened to resume their campaign once Ramadan

Sri Lanka's future balanced between hope and fear

The government may never regain full control of the embattled country, writes David Housego

SRI Lanka these days feels like a country banging precariously between faint glimmers of hope about its future and deep forebodings of a further slide towards anarchy and revolution.

The hope springs from some of the changes since President Ranasinghe Premadasa came to power at the beginning of the year. Preliminary peace talks began last week between the Tamil Tigers, the main guerrilla force in the north, and the new government, thus holding out the prospect that negotiations could bring a settlement to the Tamil conflict, which 60,000 Indian troops and two years of fighting have notably failed to achieve.

Students returned to the universities on Wednesday after almost two years in which the main campuses have been closed. Colombo's main streets again hum with traffic, in contrast to the strikes and shutdowns that left them deserted at the end of last year.

Tourists have begun to creep back to the resorts on the southern coast. There is even talk — though it may be too optimistic — that some members of the extremist Sinhalese JVP movement which has been behind the violence in the south might also want to come to the negotiating table.

The forebodings come from the fear that the government is clutching at straws and that the divisions that haunt the island remain as intractable as ever. Take the talks with the Tamil Tigers. The Tigers clearly stand to make gains from these — some legitimacy, a respite from the fighting and the prospect that the government will fully endorse their own demand for an Indian withdrawal.

But their minimum demands for a settlement, most observers believe, would involve a substantial devolution for a merged north and eastern province, the dissolution of the existing Indian-supported provincial councils, and ownership of land reserved for Tamil residents. Most Sinhalese

Sri Lankan ministers and Tamil guerrillas yesterday began their first formal talks aimed at ending violence which has killed 10,000 people in six years, officials said. This ministers and the Liberation Tigers of Tamil Eelam declined to give details of the talks but officials said a statement would be issued later.

Such a settlement would be the first step to granting the Tamils a separate state. Ceding this would swell the support for the JVP.

Likewise, though the universities are back, this has been at the price of concessions that are likely to whet the students' appetite for more, and transform the campuses into springboards for JVP agitation. Colombo is peaceful. But great tracts of the north, east and southern provinces are no-go areas for security forces in the day. Over 3000 people were killed by "death squads" in the last four months.

In its public statements, the JVP has not shifted from its revolutionary goal of forcing the president's resignation. Members have perfected the technique of using land mines to destroy moving police vehicles. They are counting on hostility to Indian troops, on opposition to concessions to the Tamils and on economic discontent to swell their numbers.

In such circumstances, Mr Premadasa has taken on almost single-handed the task of finding a way out of the tunnel. Some call his approach foolhardy self-confidence. Others say he is "navigating in the dark". Others believe that his modest origins give him the right caste credentials to talk to the lower-class revolutionaries who face him.

Under his authoritarian rule, debate has vanished from cabinet meetings. The press complains of a lack of news. He is sensitive to his image, as the scandals about his wife have shown. He has shown himself vulnerable to bad advice, as in the initial manage-

ment of the economy.

Mr Premadasa's hope is that one of his plans will bear fruit, providing him with one success on which he can hope to build others. He is also counting on his Jana Sarya (Self Reliance) welfare programme to win him support among the poor and unemployed, who have so far been the main recruiting ground for the JVP, though he may have raised expectations too high.

The president has a weaker position in Parliament than his predecessor and lacks the two-thirds majority needed to change the constitution. Many in his party believe he will fail, and there is already speculation on who might replace him.

He is nevertheless a fighter with no hesitation about using ruthless means to achieve his ends. Some Sri Lankans, however, begin to think the government in Colombo will never regain full control over the island and that this is a situation the Sinhalese will have to learn to live with.

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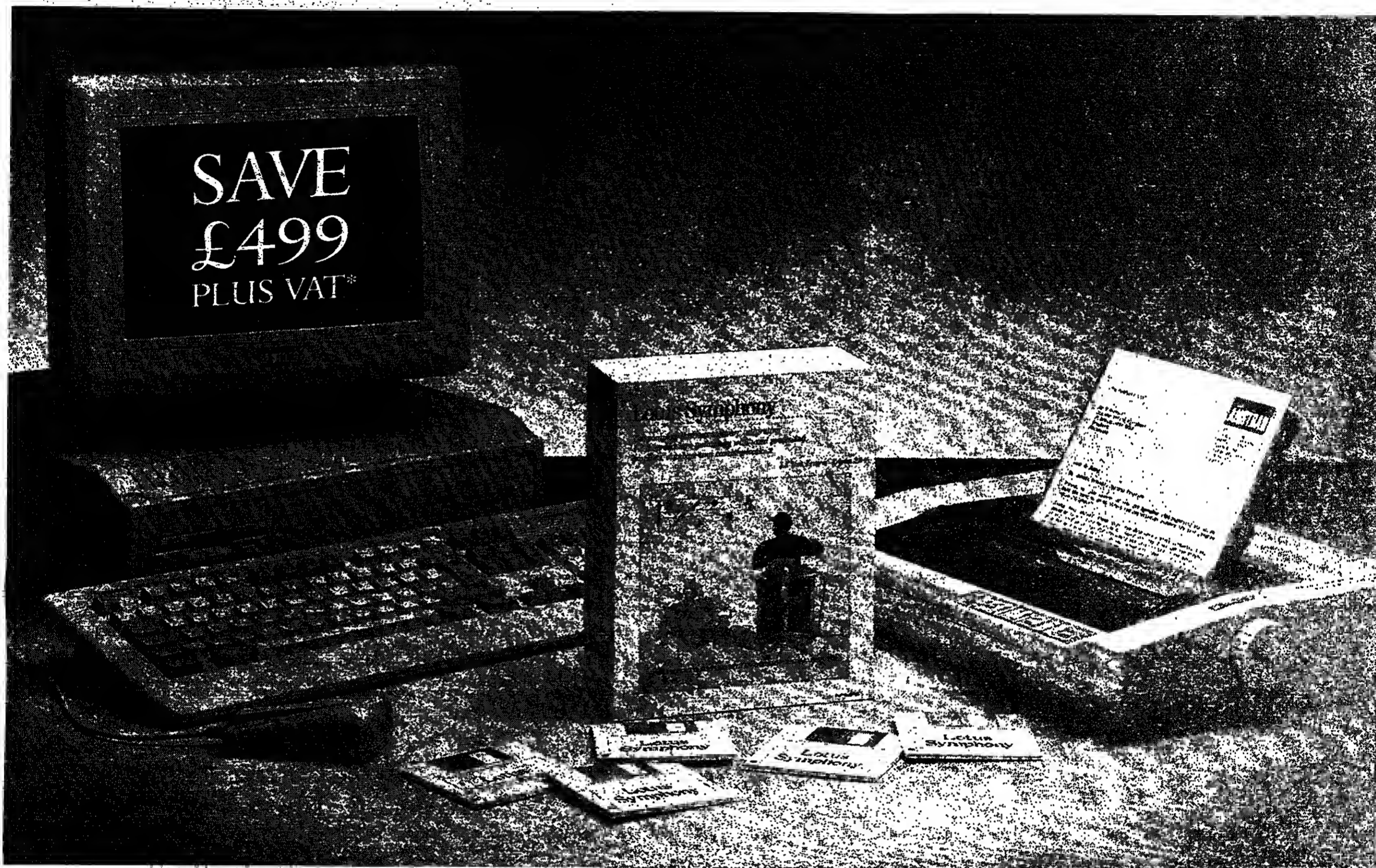
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WORLD TRADE NEWS

UK group and China in \$5.4bn trade deal

By Colina MacDougall in Peking

A GROUP of British companies trading with China announced yesterday it had agreed six trading programmes worth in total \$5.4bn with the Chinese authorities.

The long-established group, called the 48 Group, plans to implement these programmes in coastal and Yangtze provinces.

The programmes are to be spread over six years starting next year and encompassing China's eighth five year plan (1991-95). If successful, \$900,000 a year would be added to Sino-British trade, now worth about \$1bn a year.

The division of the trade among Chinese provinces has been exhaustively discussed with Chinese officials. Some \$1.3bn of trade will be with Shanghai, \$1bn with Liaoning and Jiangsu provinces, \$800,000 with Tianjin, \$700,000 with Sichuan province and \$600,000 with Wuban. Items agreed with the local authorities include technical modernisation, technical transfer, joint venture projects and co-operative projects.

Mr Jack Perry, a prominent member of the 48 Group as chairman of the London Export Corporation, co-ordinated that the scheme might appear ambitious, but he insisted that the figures were "serious, realistic and could be accomplished".

The 48 Group plans to open offices in the provinces in addition to its ones in Peking and Shanghai.

Norway makes gas carrier order

Bergesen, Norway's leading bulk shipowner, has ordered two 78,000 cubic metre LPG gas carriers valued at Nkr900m (\$78m) from Japan's NKK Corporation, Karen Fossil reports from Oslo. The gas carriers will be delivered in 1991 and will be registered in the Norwegian International Shipping Register. In the last year Bergesen has invested some Nkr3bn in new ships. It currently owns and operates the largest LPG fleet in the world.

Vacancies hit trade decision-making

By Nancy Dunne in Washington

IN JUST THREE weeks the Bush Administration is required by law to make public a "hit list" of "Super 301" countries whose significant export barriers could become targets for US retaliation.

However, this vital decision-making is proceeding with key vacancies in both the US Commerce Department and the US Trade Representative's Office because the Administration is moving only sluggishly to place its top-level political appointees in office.

Although Mrs Carla Hills, the US Trade Representative, has many important staff who have carried over from previous administrations, her three appointed deputies - Mr Julius Katz, Mr Linn Williams and Mr Rufus Yerxa - are still awaiting Senate confirmation.

Mr Dennis Klooske, a Pentagon official who is to take charge of the export control regime at the Commerce Department, has

not even been officially appointed.

The White House attributes the delay in its nominations to the extensive thought and background checks involved in the choices. However, the lethargic pace is reportedly holding up formulation of trade policy.

A longtime Commerce Department official said career employees are "just treading water."

The political appointees have not yet arrived or are working at their jobs with an "acting" before their title. There are no bosses to report to or to take final decisions.

According to one report, the "trade policy review group," which makes recommendations to the higher level Economic Policy Council, has so many vacancies it has been unable to work effectively, which accounts for the delay in the formulation of a steel policy.

Honda loses Argentina factory battle

By Gary Mead in Buenos Aires

HONDA of Japan has lost a five-year bureaucratic battle to build a motorcycle factory in Argentina's second largest city, Cordoba.

The collapse of Honda's hopes came at a particularly delicate moment for Mr Eduardo Angeloz, Cordoba's governor, who hopes to be elected as the country's president for the governing Radical party on Sunday. Mr Angeloz had publicly backed Honda's proposal, regarding it as an

important step in the attraction of foreign investment to Argentina and in particular to his province.

Mr Murat Eurnekian, recently appointed to the central government post of Secretary of Industry and Foreign Trade, has resolved that Zanella, an Argentine company based in Cordoba, will be awarded the right to produce motorcycles.

Honda's original plan was to establish a plant eventually producing 38,000 machines of 125cc and above, after six years. Honda already operates a factory in Sao Paulo in Brazil, and its idea was to harmonise production between the two plants. The Argentine plant would have meant an initial investment of about \$20m.

Honda's plans met with considerable resistance from local Argentine parts manufacturers, whose lobby would appear to have now finally won the day. Zanella proposes an

investment of 26m australs (about \$260,000 at current rates of exchange).

The collapse of the Honda proposal has political overtones, particularly as central government has decided to reject it so close to Sunday's presidential election. Some sources regard the Radical government's decision not to hand the contract to Honda as little less than a direct snub to its own presidential candidate, Mr Angeloz.

Bolivia seeks formula on gas sale arrears

By Robert Graham in Buenos Aires

ARGENTINE and Bolivian officials are due to begin talks next week to find a formula for Bolivia to recover some \$200m arrears on gas sales. Bolivian gas sales to Argentina amount for more than 40 per cent of its \$450m exports.

Despite this dependence and Bolivia's acute shortage of foreign exchange, Argentina has fallen behind in payments both for current gas deliveries and on debts due since 1988. Argentina is understood to owe Bolivia \$90m for the first of this year, plus a further \$120m due from 1988 and 1987.

The Argentine government has excused the debts on the basis of its economic difficulties. However, the Bolivians have been arguing that their own financial position is even more precarious. The total Argentine debt represents a third of all external financial requirements for capital spending this year.

Recognising Argentina's difficulties, the Bolivians recently approached Spain for a \$100m bridging loan until Buenos Aires was in a position to repay.

However, when these approaches failed, Bolivia's President Victor Paz Estenssoro sent a personal note to President Raul Alfonsín of Argentina insisting that the matter be settled urgently.

This note was delivered to President Alfonsín on May 5 by Mr Fernando Romero, the Bolivian Planning Minister, and it was agreed that talks should resume following the weekend elections in Argentina.

Bolivia has so far only been able to sell its gas to Argentina. An outline agreement was signed last year with Brazil. However, the Brazilian state oil concern, Petrobras, has had reservations about the sale.

Smuggling case makes ripples in muddy legal waters

John Murray Brown looks at controversy and political struggle over the role of Indonesia's judiciary

A COURT CASE, involving the smuggling of 9 VCR video recorders is the unlikely cause of an embarrassing political struggle over the role of the legal profession in Indonesia.

A recent court decision in which a six month suspended sentence was imposed on a Chinese-Indonesian businessman has divided the country's main law bodies, and been criticised as too lenient by both President Suharto and his Attorney General, Mr Sukartono Marmosudjopo.

At a time when governments in Malaysia and Singapore are increasingly challenging the judiciary's independence the profession in Indonesia decided to hit back at what is seen as official interference.

The country's legal bar association turned on its critics suggesting if the Attorney General thinks the sentence too lenient, he can appeal to the High Court.

The Government's attitude towards the independence of its judiciary has always been a

little vague. In 1987, for example, after sustained US criticism the Indonesian Supreme Court staged a dramatic volte-face in a case of alleged breach of trademark reversing its earlier decision in favour of the American shoe makers Nike.

In the most recent smuggling case, Admiral Sudomo, the minister overseeing interior security matters, said the sentence would be respected. However he added judges should adapt their verdict to the spirit of development.

In Indonesia smuggling has always been a major problem. Forty years ago when the country was fighting for independence from the Dutch, smuggling provided a vital supply line.

Even under the Republic some military officers have engaged in smuggling to flesh out their rather meagre paychecks. Since President Suharto came to power in the mid 1960s smuggling has remained an issue, and a considerable drain on government



Since President Suharto came to power in the mid 1960s, smuggling has remained a major issue, and a drain on government tax revenues.

In 1985 in a bid to stem what was the widespread smuggling through the ports the government contracted Société Générale de Surveillance (SGS), a private Swiss company specialising in international customs

inspection, to run the Indonesian customs. More recently the authorities launched Operation Springmunt to stop illegal trade with Singapore.

Whisky for example ends up on Jakarta's supermarket shelves with a label reading bottled duty free in Singapore. The Attorney General even proposed smuggling be treated as subversion, a capital offence in Indonesia.

The decision handed down by the Jakarta district court on Mr Tan Tek Siong is but the latest in a series of similar trials. President Suharto, when he heard the verdict, reportedly exclaimed: "How could this have happened?"

In some respects many Indonesians may well share the government's misgivings about a legal system inherited from the Dutch now badly in need of revision. University lectures have been heard to complain that law students do not understand some of the basic principles underlying the country's law.

Corruption is also a problem. Justice Minister General Ismail Saleh has said that perhaps as many as 30 of his judges were corrupt and abused their official privilege.

On a lighter note, a Jakarta housewife, the plaintiff in a recent smuggling case, achieved some sort of notoriety when she took off her stilettoes and launched them at the bench. She alleged the judge had taken a bribe to pass a heavy sentence on the defendant, and then reneged on the agreement.

The growing calls for a cleaner legal system, which President Suharto himself urged in a speech before Parliament, are seen as part of a growing popular campaign for a range of equity issues, like land rights, industrial pollution and corruption.

Home Affairs Minister General Budini has gone out on a limb to criticise the "get rich quick" attitude of many wealthy Indonesians, at a time when income disparities are

growing. The main thrust of the attack has not come from the cabinet or even the somewhat resuscitated legislature, but from so-called non-government bodies like the Legal Aid Institute, and Walhi, the environmental watchdog.

"In Indonesia if you want to get heard it's no good sitting in Parliament. You have to have a direct line to the President," said a Jakarta columnist. The son of one of the Republic's most famous freedom fighters is criticised on human rights to focus public attention on land rights issues.

Walhi, going one step better, is suing the government or more accurately the Ministers of the Environment, Forestry and the Head of the Investment Board under a 1986 Environmental Impact Law over a private timber and rayon project in Sumatra which locals say has caused deforestation and water pollution. Twice the case has been adjourned - apparently because the government has still to select its defence counsel.

Lufthansa signs joint venture deal with China

By Lynton McLain

LUFTHANSA German Airlines and Air China have signed a joint venture agreement for the training of personnel for the maintenance of China's civil aircraft.

Lufthansa will provide DM400m (£17m), which represents 40 per cent of the capital required for expansion and modernisation of the Chinese national airline's technical base at Peking. China will provide the remaining 60 per cent.

Mr Heinz Ruhnau, chairman of Lufthansa and Mr Reinhard Abraham, the deputy chairman, signed the agreement in Peking after it had been approved by the Chinese State Planning Commission and the Council of State. Formal approval from the Chinese Foreign Ministry is expected within three months.

The venture is to be managed by Mr Werner Hoppe, a Lufthansa executive who has spent four years in China preparing the project. Work is to begin in August.

Lufthansa already has a joint venture in China, with Peking City Council. This has taken the form of a joint venture company, the Peking Lufthansa Centre company, which was formed in November 1987 to develop a DM400m hotel and business centre in Peking.

Lufthansa said that the centre would be a base for entrepreneurs seeking to establish business ties with China. The centre is to open in 1990-91.

The Peking Municipal Commercial Service and the Network Development Corporation of China and Lufthansa participated in the joint venture company on a 50/50 basis.

Short Brothers will probably build airframe parts for the 50-seater Canadair Regional Jet, whether Bombardier makes a bid for the British Government or not, writes Robert Gibbins in Montreal.

Bombardier, owner of Canadair, said it had asked Short to bid on RJ parts before the British Government placed it on the list of potential buyers of Short.

Bombardier was examining Short for potential synergies with Canadair and it would decide whether to bid soon.

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SOME FIGURES SHOW TALENT.

The group's share of consolidated income increased by 28% in 1988. Net dividend per share to be proposed at our shareholders' AGM on 31st May 1989 amounts to 13.00 French francs, representing a rise of 30%.

The group's high productivity and diversity enabled it to take full advantage of favourable changes in the banking and financial environment.

THE KEY FIGURES

- Net banking income: 31,056 million French francs (up 8.4% over fiscal year 1987).

- Operating expenses: up 9% due to the very rapid growth of specialized finance subsidiaries. For Société Générale itself, the rise was only 2.6%.

- Gross operating income: 9,839 million French francs (up 7.1%).

- Country risk coverage rate rose again. The ten largest country-risks (79% of total country-risks) are now covered at 57.6%.

- Equity: The Group's equity increased from 25 to 29.5 billion French francs (up 18%). Moreover, in September 1988, the Group issued convertible bonds with share subscription warrants, representing a potential equity increase of 5.67 billion French francs by the end of 1990.

- Net income: 3,578 million French francs (up 33.6%) of which the Group's share was 3,041 million French francs (up 28%).

- Total dividends: 769 million French francs (up 37.6%).

THE KEY FACTS

- Traditional banking business was sustained: Outstanding customer loans increased overall by 28.2%, including a

noteworthy rise of 19% in corporate loans. Consumer loans owed to the bank and its credit subsidiaries rose by 15%, while customer deposits grew by 11%.

- Managed investment funds showed steady growth. In June 1988, total managed funds surpassed the previous highest level, achieved before the stock market crash of October 1987. Two new investment funds were created, specialising in European securities: Cityfund and Sogibéria.

- The group strengthened its international position in options trading: it now has 20% of the foreign exchange options market in Japan, leadership in Europe, and 50% in France.

- The group consolidated its leading position in the French leasing market: real property leasing (income up 77% in one year) and capital equipment leasing (up 41%).

Our 1988 Annual Report will shortly be available. Contact your nearest Société Générale Office.

CONSOLIDATED INCOME IN MILLIONS OF FF	1988	% VARIATION 1988/1987
NET BANKING INCOME	31,056	+ 8.4
OPERATING EXPENSES	21,217	+ 8.5
GROSS OPERATING INCOME	9,840	+ 7.1
NET ALLOWANCE TO PROVISIONS	4,693(1)	- 7.4
NET INCOME	3,578	+ 33.6
OF WHICH GROUP SHARE	3,041	+ 28.0
CONSOLIDATED NET INCOME PER SHARE (IN FRANCS)	54.4 (2)	+ 28.0

(1) Not including the country risk provision re-asset for companies accounted for by the equity method and the additional provision constituted by the FX cover system, i.e., totalling approximately 750 million French francs. (2) Excluding treasury stock.

SOCIÉTÉ GÉNÉRALE

LET'S COMBINE OUR TALENTS.

UK NEWS

BANK OF ENGLAND QUARTERLY BULLETIN
Time 'not ripe' to enter EMS

By Peter Norman, Economics Correspondent

BRITAIN'S high rate of inflation, its huge current account deficit and the large gap between high British and lower European interest rates have persuaded the Bank of England that the time is not ripe for Britain to become a full member of the European Monetary System.

At a time when the cabinet is reported to be divided over whether to tie the sterling to other European Community currencies in the EMS exchange rate mechanism, the Bank has sided with the Prime Minister in saying no.

However, the Bank's reasons are technical rather than political. They reflect a judgment that the British economy is currently out of kilter with that of West Germany and the

other full members of the EMS. If it is understood that the Bank also believes that Britain's adjustment to the 1992 project for a barrier-free internal European market, with its free flows of capital, goods and labour, would be far more difficult in the fixed exchange rate regime of the EMS.

The Bank has in the past been regarded as a supporter of early entry for sterling into full membership of the EMS. Other supporters are Mr Nigel Lawson, the Chancellor, and Sir Geoffrey Howe, the Foreign Secretary.

But the Bank sees no contradiction between its reluctance to join the EMS now and the fact that four weeks ago Mr Robin Leigh-Pemberton, its governor, signed the Delors

Committee report. The report plots a three stage move towards economic and monetary union in the EC and includes the proposal that Britain should become a full EMS member in stage one.

Although the Delors report proposed that the first stage of towards union should start in July next year, the Bank regards the question of Britain joining the EMS exchange rate mechanism as an issue for the end of that stage and no deadline has been set for that.

The Bank's quarterly bulletin, published yesterday, outlined the economic problems that have prompted its opposition to full EMS membership. Although the Bank clearly hopes interest rates will not have to rise again, there are

substantial risks surrounding its policy.

Industrial disputes in support of higher pay, the possibility of interest rate increases abroad or impatience in financial markets with the slow adjustment underway in the British economy, could force higher rates. One problem that has flared up since the bulletin was finalised is the rise in value of the dollar.

The Bank believes this is unwelcome to all the major industrial countries and the decision of central banks to allow the dollar through the EMS barrier earlier this week was a change in intervention tactics rather than a change in the Group of Seven strategy of aiming for broad currency stability.

Britain seeks City views on export bank

By Peter Montagnon, World Trade Editor

THE Bank of England has been discreetly sounding out banks in the City about the idea of setting up an export bank with participation from clearing banks and other private sector institutions involved in export finance.

The talks have been purely exploratory but the Bank is expected to set up a working party soon to examine in greater detail the question of whether such a bank could play a useful role in providing exporters with finance at competitive rates.

The idea of setting up such a bank has come up before but met little enthusiasm from the export community.

It has been revived by the Bank because interest in the idea has resurfaced in connection with the current review of the status of the Export Credits Guarantee Department which is expected to lead to major organisational changes in that institution.

Bankers believe it will call for ECGD's flourishing short-term insurance business to be hived off into a separate public corporation which could expand into Europe after 1992 and might eventually be privatised.

There are, however, questions in the City about what would happen to the loss-making project division of ECGD on which capital goods exporters depend for support.

Lawson launches onslaught on Labour economic policy

By Philip Stephens, Political Editor

MR NIGEL LAWSON, the Chancellor, yesterday began the Government's onslaught on the Labour Party's new economic strategy by labelling it "the biggest repackaging exercise in the history of British politics."

Speaking to the Conservative conference in Perth, Scotland, Mr Lawson said that it was clear that there had been no fundamental shift in Labour's socialist approach.

He said that Mr Ken Livingstone, the left-wing Labour Member of Parliament (MP), had got it right when he told an interviewer this week that the results of the review were "classically in the tradition of the sort of fudge we had from

Wilson in the 1960s."

After bitterly opposing every single act of privatisation Labour now said that it would not renationalise - it would merely seek state control by another name. After voting against every single reduction in income tax, it professed now to be converted to the merits of lower taxation in principle - provided it could raise it in practice.

Mr Lawson added that Labour had "even discerned the merits of free market capitalism - provided it is forced to dance to their own socialist tune."

In a foretaste of further attacks once Labour's review documents have been formally

published and closely examined by Conservative Central Office, he said that the opposition had deliberately omitted any costings from its public spending programmes.

The reason was that they could only be met by "a swingeing increase in taxation." That made it clear that the "socialist leopard" had not changed its spots after all, he said.

The Chancellor defended the Government's own decision to hold interest rates at their present high levels to squeeze inflation and reaffirmed his determination that they would stay "as high as is needed, for as long as is needed", to get inflation down again.

Warning for overseas economies

By Peter Norman, Economics Correspondent

INFLATIONARY pressures in the main overseas economies are greater now than they were six months ago and the path of measured inflation has been stronger than was forecast, the Bank of England said.

In its latest quarterly bulletin, the Bank said the short-term prospect is for a further edging up of inflation, after consumer prices rose by 4 per cent over the last 12 months in Britain's six Group of Seven trading partners.

The Bank suggested that the recent tightening of policy among the six should be enough to slow demand growth to a more sustainable rate. But it remains unclear whether it will be sufficient to reverse the rise in inflation.

The Bank's bulletin said that the US should take more convincing action to cut its budget deficit in support of its economic policies. The bulletin suggested that West German and Japanese monetary policies have been tightened sufficiently. But this judgment was made before the latest rise in the dollar's value which came after the Bulletin went to press.

Nonetheless, the Bank said it expects a slowdown in overall gross national product growth for the US, Japan, West Germany, France, Italy and Canada from 4.2 per cent last year

Contributions to change in the visible balance #		
£ billions	1988 compared with 1987	1988 Q1 compared with 1988 Q4
Total change	-10.4	0.3
Of which:		
Oil	-1.8	-0.2
Non-manufactures	-1.6	0.3
Manufactures	-6.9	0.2
Of which:		
Erratics	-7.0	0.1
Semi-manufactures	-1.7	-0.2
Cars	-1.6	0.1
Other consumer goods	-1.2	0.2
Intermediate goods	-1.7	0.2
Capital goods	-0.1	-0.1

Individual components may not sum to total change because of rounding. Visible balance is a balance of payments item.

to 3.3 per cent this year, 2.6 per cent in 1990 and 2.6 per cent in 1991. World trade growth is also expected to slow from the 7.5 per cent estimated for 1988.

The Bank expects inflation among the six to rise to 4.4 per cent this year from 3 per cent in 1988 and then slow to 3.5 per cent in 1990 and 3.7 per cent in 1991. It forecast that US inflation, as measured by the consumer expenditure deflator, would average around 5.35 per cent during the forecast period.

The Bank acknowledged that the tighter policies in industrialised countries will worsen the problems of debtor nations. But it took a somewhat downbeat view of the proposal from Nicholas Brady, US Treasury Secretary, that debt reduction

plans should be backed with money from the International Monetary Fund and World Bank.

"The proposals have already aroused considerable, and probably unrealistic, expectations among debtor countries regarding the scale of relief on offer," the Bank said.

Within the UK the Bank believes the present mix of tight monetary and fiscal policies should bring inflation in Britain under control.

But it also has warned that much better news on inflation and on the balance of supply and demand in the economy would be needed before it can contemplate a loosening of policy.

If the underlying message of

the Bank's last bulletin in February was "so far, so good", the motto of its latest offering could be "so much further, so much better." But behind this view is the clear understanding that the Bank would not hesitate to tighten policy if conditions unexpectedly deteriorated.

In its report, the Bank said recent revised statistics have reinforced the impression of exceptionally strong growth in demand and output for much of last year, especially in the third quarter.

Personal incomes are estimated to have risen by more than 10 per cent last year with real disposable incomes up by nearly 5 per cent. Although the savings ratio, which at one point was thought to have dropped to 1.3 per cent in the third 1988 quarter, is now reported as having increased from 3 per cent between July and September to 4 per cent in the October to December period, expenditure figures show that demand grew a rapid 7 per cent in the year.

The Bank said fixed investment is now estimated to have increased by nearly 12 per cent last year. Profits of non-North Sea industrial and commercial companies while generally strong, fell somewhat in the final quarter of last year.

UK to seek worldwide accord on environment issues

By Richard Donkin

THE British Government is leading an attempt to secure worldwide co-operation on controls over the output of greenhouse gases and the destruction of the tropical rain forests, both regarded as significant contributors to global warming.

The move is in response to a broad consensus of scientists and meteorologists which believes that gases such as carbon dioxide emitted by cars and power stations could be contributing to a forecasted rise in world temperatures.

Though international agreement over the extent of the rise and the consequent dam-

age caused by melting polar icecaps is still to be reached, Mrs Margaret Thatcher, the Prime Minister, was convinced at the recent Downing Street "green" seminar that urgent action was needed.

She also gave her blessing to proposals for Britain to seize the initiative by drafting an international framework convention similar to the Vienna Convention drawn up in 1985 to set out the principles for guidelines and research into ozone depletion.

The idea of a framework convention on climate change has been discussed for some time and was widely supported at the ozone layer conference hosted by Britain in March. The British Government has now taken it to an advanced stage and it became clear yesterday that the Department of the Environment had already

started preparing a first draft.

The proposals are to be put by Lord Calthness, the environment minister, to next week's governing council meeting of the United Nations Environment Programme in Nairobi. He will also be urging the strengthening of UNEP and asking member states to follow the UK lead of more than doubling its financial contribution to the organisation.

Mr Ridley said he would resist any enforcement powers in the convention and predicted that Nairobi was the start of a "long saga of developing understanding" that would evolve over perhaps 50 years.



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UK NEWS

GM, Isuzu to invest £70m in four-wheel drive project

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS OF THE US and Isuzu, GM's 41.6 per cent-owned Japanese affiliate, are to invest £70m to produce a four-wheel drive leisure/utility vehicle in the UK for the West European market.

The Isuzu-designed vehicle will be produced by IBC Vehicles, the GM/Isuzu 50-50 joint venture based in Luton, north of London, and will almost double vehicle output at the plant to 70-80,000 by 1992.

The announcement marks a further significant step in the rapid development of the UK as a production base for Japanese-designed vehicles, adding to operations already under development or in production by Nissan, Toyota and Honda.

IBC was formed in October 1987 to take over production of Isuzu and Suzuki-designed vans at the former loss-making

Bedford light commercial vehicle plant. The vans are sold in the UK as the Bedford Midi medium duty panel van and the Bedford Rascal/Suzuki Super Carry micro vans.

IBC said yesterday that it had achieved a net profit of £2.9m in 1988, its first full year of trading, on a turnover of £151m. The former Bedford van operation was losing £25m a year. IBC has achieved profitability a year earlier than originally forecast in 1987.

IBC sales last year totalled 35,211, more than double the 1987 level, helped by the company's entry into continental European export markets in February 1988. Exports totalled 14,210 in 14 continental markets with UK sales of 21,001.

Sales are forecast to rise by a further 30 per cent this year to 42,000 with 50 per cent destined for export. The company began

double shift working a year ago increasing its workforce by 700 to more than 1,900.

The new vehicle will be a European version of the Isuzu four-wheel drive recreational vehicle that is currently being launched in the US as the Amigo and in Japan as the Mu.

The four-wheel drive recreational vehicle market is one of the fastest growing niche segments in the West European vehicle market. IBC expects the market to grow from some 200,000 units at present to 300,000 by 1993.

Mr Nick Reilly, IBC vice president, said that production of the Isuzu-designed vehicle was scheduled to begin in July 1991 with a planned output of 30-40,000 vehicles a year. At least 80 per cent of production would be earmarked for export to the Continent.

Japan's car makers, Page 18

British in the dark about single EC market

By Christopher Parkes

A SURVEY of British attitudes to the planned completion of Europe's internal market in 1992 has uncovered profound ignorance among the general public.

Only half of the 900 people questioned by the Consumers' Association in March had heard of the 1992 programme, and 11 per cent of those had no idea what it was about. Similar research in France discovered 90 per cent awareness.

Ms Rachel Waterhouse, association chairman, said in London yesterday that the blame for this lack of understanding lay with the Government.

"We have been told specifically by senior civil servants at the Department of Trade and Industry that we should appreciate 1992 is not for the consumer," she told a conference in London yesterday.

"We think the DTI should appreciate that industry needs consumers if it is to survive."

When enlightened by the survey team, more than 70 per cent of the survey respondents thought the single European market was a good idea. There was also considerable enthusiasm for the notion of a common Community currency.

Even so, the British remained steadfastly conservative when offered the prospect of a wider market for products and services: about three-quarters of the sample said they would prefer to buy British travel services, food and drink, clothing and furniture. More than 80 per cent were strongly in favour of buying British financial services.

There was little evidence that this "Europhobia" sprang from overwhelming satisfaction with what the UK offered, Ms Waterhouse claimed.

She called for more information to help the public make better-informed choices. "If a consumer is not made aware of what's on offer, it is hardly surprising that he is wary of making full use of the benefits of 1992," she added.

Consistent standards should be introduced for financial services across the Community, and she urged the European Commission to devise an EC-wide system for compensation.

Streamlined licence system to ease burden for UK exporters

By Peter Montagnon, World Trade Editor

THE Government has introduced a streamlined system of export licences designed to free exporters from the burden of obtaining individual permits for export of certain sensitive products to the European Community and countries such as the US, Canada, Japan and Australia.

Products covered include personal computers, recording and many electronic components which up till now have been subject to individual licensing requirements connected

with the UK's obligations to prevent strategically sensitive goods reaching the Soviet bloc.

The new arrangements involve the creation of an open general licence under which companies can freely export the relevant goods to the designated countries. These include all the members of the Coordinating Committee on Multilateral Export Controls (CoCom) as well as the EC.

CoCom, which monitors strategic East-West trade, requires its members to operate national export licensing

systems for all sensitive products so that their destination can be checked. It has, however, been working for some time on ways to eliminate the barriers to trade among its own members which result from this process.

Such a move is necessary not only in response to industry pressure for reducing red tape, but also to ensure that CoCom can effectively survive as an institution once barriers to trade within the EC come down after 1992, making national licensing schemes harder to operate.

Rising steel mill output slows down

By Nick Garnett

OUTPUT from UK steel mills is continuing to rise but the growth rate has fallen off substantially from that achieved last year.

Steel production in the first four months of this year averaged 386m tonnes per week, an increase of 2.3 per cent over the same period last year.

This compares with a jump of 12.1 per cent in weekly output in the first four months of last year compared with 1987.

The slowdown in growth appears to reflect a tempering in general demand from UK steel-using industries following very buoyant demand over the past two years.

Bringing on stream in February last year a fourth blast furnace at British Steel's Scunthorpe site in south Humbershire also had an effect in raising production.

Figures published today by the steel industry show that the provisional figures for weekly production in April was 383.9m tonnes, an increase of just 1.4 per cent on the same month last year. It was 1.2 per cent higher than the level in March.

The figures cover all steel producers. British Steel, privatised last year, accounts for almost three quarters of production.

Increases in steel output were secured last month in all steel producing areas. Total UK steel output last year was 18.93m tonnes.

European Court of Justice to hear vital pensions test case

By Eric Short, Pensions Correspondent

THE Employment Appeal Tribunal, presided over by Mr Justice Wood, has decided to refer the pension dispute case, *Clarke v Cray Precision Engineering*, to the European Court of Justice in Brussels.

The Tribunal is asking the European Court to provide answers to three questions relating to European law pertinent to this case.

But essentially the basic issue to be resolved is whether pensions and other benefits paid under a contracted-out occupational pension scheme are classified as pay within the meaning of Article 119 of the Treaty of Rome.

The case arose when Mr David William Clarke was made redundant by his employer, Cray Precision Engineering, and took early retirement on his 60th birthday.

He found that because of the actuarial reduction factors applied his pension was only around two-thirds the pension paid to a woman aged 60 in comparable circumstances. So, backed by the Equal Opportu-

nities Commission, he went to the Industrial Tribunal on the grounds of sex discrimination.

The chairman of the South London Tribunal, Mrs Stella Hollis, took the view that Article 119 of the Treaty of Rome, which essentially bans sex discrimination over pay and related remuneration, applied to company pension benefits and found in favour of Mr Clarke.

However, the Employment Appeal Tribunal has decided to leave the interpretation to the European Court - a move sought by both sides in the case each of whom had made it plain that they intended to take the case to the European Court, if necessary.

The decision of the European Court on the questions asked will be crucial to the vast sections of the occupational pensions industry.

If the Court decides that Article 119 applies, and there is no appeal against its decision, then it would be discriminatory for company schemes to have different pension ages for men

and women and this could well apply to past, as well as future, retirements.

The Treaty of Rome overrides national legislation, so in theory the decision of the Court in its interpretation of Article 119 would apply immediately without the need for UK legislation.

A decision in favour would bring about complete confusion in the UK pension scene. All EC directives on equal status in pension provision have emphasised that company schemes would not be required to implement equal pension ages until the State has first done this.

But Article 119 does not apply to State social security schemes, so company schemes would be compelled to equalise pension ages without the State having to take similar action.

However, it is expected that it will be at least a year before the European Court makes its ruling and Mr Justice Wood then delivers the judgment of the Tribunal.

EC plan to meet teacher crisis

By David Thomas, Education Correspondent

PLANS TO attract people in mid-career and teachers from other European Community countries into the teaching profession were unveiled yesterday by the Government.

The proposals are the latest sign of concern about the prospects of severe teacher shortages emerging in the next few years.

These fears will be underlined later this month when Britain's independent schools announce a special scheme to persuade young people to become teachers in both the private and state sectors.

The Government yesterday issued a draft circular to local

authorities on a new breed of teachers, which it is hoped will encourage more people into the profession.

Licensed teachers, or those trained on the job for a certain period, were first suggested in a consultation document published last year.

The circular also discloses that as from September teachers from other EC countries will be automatically recognised as fully-qualified teachers in British schools.

Education authorities are likely to use this provision to try to fill shortages of language teachers and also to increase the recruitment of Irish teach-

ers.

The teaching unions reacted angrily to the consultation document.

The National Union of Teachers is pledged to support members taking action against unqualified teachers.

From September, people aged over 26, with at least 2 years' higher education and grade C in GCSE maths and English, will be able to train in schools without taking a full-time teacher training course.

Education authorities can choose to pay licensed teachers either as fully-qualified teachers or at a lower rate.

Government's U-turn gladdens cabbies

By Rachel Johnson

LONDON'S cabbies were celebrating a Government "U-turn" yesterday after Mr Michael Portillo, the Transport Minister, announced that he had dropped his proposals to change the taxi trade and end the 350-year monopoly of the hack cab.

The black, or Hackney, cab is as traditional a sight on the streets of the capital as the red London bus and its possible demise had prompted a widespread response.

The Transport Department has abandoned plans to compile a discussion paper on the

taxi and private car hire trades following over 600 pleas from cabbies to maintain the present system.

The system includes a compulsory test of 469 London routes which the cabbie is expected to know by heart and which has become known as "the Knowledge."

The review of the taxi trade will remain confidential but is known to have examined the possibility of licensing private hire in London, which could have resulted in minicabs being allowed to ply for hire on the streets in direct competi-

tion with the black cabs.

Minicabs outside London require licences from local authorities. This too will remain unchanged, although Mr Portillo expressed disappointment yesterday that controls were still "radically" the issue of taxi licences, which distorts competition and the operation of a free market.

Mr Portillo has agreed with the Licensed Taxi Drivers' Association that London benefits from "the best taxi system in the world."

"It has become clear that the high standards of service and

propriety offered by taxis are highly valued by respondents and the public," he said.

Mr Robert Oddy, vice-chairman of the LTDA, said: "I'm not surprised at Mr Portillo's U-turn because not only 20,000 licensed cabbies but many MPs were violently opposed to his proposals."

At 11 per cent increase in London taxi fares was announced by Mr Portillo yesterday. He said it took into account increased running costs and the extra £2,000 necessary to convert all new cabs to allow for wheelchairs.

HOTLINE.



Not many airlines are as technologically advanced as Iberia. You'll have probably noticed it in Iberia's real time, computerised sales and reservations system, and in our impeccable service. All the result of

rigorous staff training programs. That must also be why other major European airlines rely on Iberia to maintain and service their planes. There's still one thing our technology hasn't

been able to improve upon though. Our hostesses' smiles. Their warmth and hospitality is absolutely natural. Right from the heart.



MANAGEMENT

Widney Eurocraft

A reorganisation just in time

David Thomas recounts the benefit to a UK company of two engineering students on secondment

Eddie Thomas has just done something which few managers would have the nerve to attempt - he has handed over responsibility for a project vital to his company's future to a couple of students whom he had barely met.

Thomas is managing director of Widney Eurocraft, a Black Country metal fabricator which operates out of one of the many factories huddled together on the outskirts of Dudley in the West Midlands. A subsidiary of Widney, the quoted Birmingham-based engineering company, it makes racing systems and cabinets for telephone exchanges and similar products.

When Thomas came to Eurocraft a year ago from BICC, the cables and engineering group, the company was in deep trouble. "There was a question mark over the viability of the operation," he recalls. An inefficient manufacturing operation coupled with high overheads meant the company was losing money on a \$3m annual turnover. Thomas quickly identified lead times as the key problem. It took 12 weeks for materials entering the factory to emerge as finished products; since material content accounted for over half the final price, that was just too much.

The Widney board backed Thomas's attempt at a turnaround. It sanctioned a \$750,000 investment programme which included new computer systems yielding fuller information on the flow of the goods through the factory. It supported Thomas in replacing most of Eurocraft's senior managers and in trying to win new customers outside telecommunications. All in all,

Thomas says, "it took a major act of faith. That faith was justified when British Telecom and Mercury Communications, Eurocraft's main customers, placed big new orders early this year. Efficiency improvements had already helped the company to move into profit in the first quarter of 1988. The new orders sustained Thomas's decision to take on more workers; Eurocraft's complement now stands at 170, almost twice the number a year ago.

But a sharp cut in lead times was essential both to be certain of completing the orders on time and to carry through its programme to improve efficiency. This is where two Aston University students enter the story. In his plastrone suit, Thomas hardly looks the part of a radical. Yet, he says, he prods his managers into coming up with fresh ideas. "I've encouraged them as much as possible to question traditional methods."

Kevin O'Toole, Eurocraft's down-to-earth manufacturing manager, took his boss at his word, making two far-reaching decisions. First, the factory would have to rip up its traditional assembly line layout and design a new work-flow from scratch if it were to slash lead times.

O'Toole favoured the Japanese-inspired just-in-time production philosophy, which helps to keep a rigorous check on the flow of materials through the factory. He was particularly impressed by the "kanban" production system by which a process downstream of the final assembly is not carried out until just before the final assemblers are ready for it.

"We may be a Black Country sheetmetal concern, but that does not stop us from trying to take a radical approach and become a centre of manufacturing excellence," O'Toole asserts. Second, and more boldly still, since the factory was going to try something new, O'Toole asked himself "why not bring in someone fresh, who's never done this before and see what they can do?" Eurocraft had taken Aston engineering students on secondment in the past, so O'Toole went to Aston's engineering department and explained his requirements: "I was looking for the right mental attitude - greenness, naivety, if you like, but coupled with enthusiasm."

Two students, both 23, moved into the factory on January 25 with a simple brief. They had to design and set up a new production line. The new line must boost capacity without demanding extra floor space. It must slash lead times and the mountain of parts which built up under the old system. And it must be up and running in two months.

In one sense it was a pilot project, since the design would be extended throughout the factory if the line worked. But in a more important sense it was very much for real; Eurocraft was banking on the increased output from the new line to help meet its orders. "We had already made commitments to our customers that required that capacity," O'Toole explains.

So Harrison and Miners were given the overall concept: create a line based on just-in-time and Kanban, but the rest was down to them. "They had an awful lot of detail to fill in," O'Toole says.

The students spent the first few weeks studying the existing flow of work through the factory and frantically mugging up on just-in-time and Kanban, about which they had only the haziest notion. "At that stage, we were not well-qualified in the subject," Miners admits laconically. After four weeks of analysis, the students started to design a new layout, partly on paper and partly by testing possibilities in a corner of the factory which had been specially cleared. They came up with four possible designs, but then quickly focused on one.

The new layout is simplicity itself. Arranged in a rectangle, one side is made up of benches producing parts for the finished cabinets, with the line opposite consisting of six benches assembling the parts into the final products. The key to the whole operation are the Kanban trolleys which take the parts from the sub-assembly benches to the final assembly benches, thereby completing the rectangle.

The trolleys bring parts to the final assembly benches only when the final assemblers have work to do. The parts are made only when they are needed; the arrival of the trolley is the trigger for that operation. No Kanban trolley, no production.

In Eurocraft's old system, if the factory had an order for 500 cabinets, the sub-assemblers would produce 500 batches of parts, most of which would sit around for weeks until they were needed. Now the parts are produced just in time.

While the final layout is easy to understand, the students had much to do before they could unveil their handiwork. They had to design the layout, the Kanban trolley, the workbenches and the lighting. They had intended to buy ready-made workbenches, but Kevin O'Toole told them they would cost too much, so the students designed and built some instead, ditto with the Kanban trolleys.

The students then had to explain Eurocraft's new production arrangements to the company's suppliers, some of whom are now introducing just-in-time themselves. One supplier had been used to sending Eurocraft screws in large bags. The students designed a container which stacks the different types of

screws in exactly the right proportions to suit eight days' production. One container is always on the line, another in the stores, with the third back at the supplier being re-filled. Finally, Nigel Harrison and Philip Miners had to sell the new system to the production workers. It took them the best part of a morning to explain the change to the 25 workers earmarked for the new line. Most were women older than the students. "They know how to talk back at you if you haven't got it right," Harrison remembers.

Eurocraft's managers had just one more piece of the jigsaw to put in place: a completely new payment system. The operators had been on piece rates, giving them an incentive to make as many parts as possible. This was wholly inappropriate to just-in-time philosophy, so Eurocraft introduced a time bonus scheme. "We even had to change

our payments system because of those two students," Kevin O'Toole jokes. The students kept in close touch with O'Toole throughout the project, bouncing ideas off him. He says he would have realised immediately if they were not up to the job, allowing him to step in before too much time was wasted. But he also insists they were given a free hand, once he was satisfied with their competence.

Eddie Thomas is well pleased with the outcome. He calculates that the new layout has increased capacity by 79 per cent, boosted productivity by 20 per cent and cut lead times by 61 per cent - all with no increase in factory floor space. What's more, the working environment is less cluttered and has helped to generate more of a team atmosphere on the line.



Nigel Harrison (left) and Philip Miners (right) with the director whose faith was justified, Eddie Thomas

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Ford's cosmopolitan carousel

Michael Skapinker on the motor group's international management policy

The managing director of Ford Italy is French. A Norwegian runs the Ford sales company in Spain. A Belgian is in charge of the Dagenham body and assembly plant in the UK. The head of Ford UK is an Englishman, but he used to run the company's operations in Brazil.

Five of Ford's European companies are run by nationals of other European countries. The remaining 10 European companies are headed by local executives, but nine of them have worked in other countries.

Louis Lataif, the president of Ford Europe, says that "in the distant past, to be fair,

Ford's cosmopolitan carousel

Michael Skapinker on the motor group's international management policy

operating in a global market and, as a result, has set out to build an international management team which reflects this.

So how does Ford go about developing international managers? In an article to be published in the June issue of the "European Business Journal", Lataif says that the process begins with the recruitment of young managers from business schools.

With a few exceptions, British manufacturing companies do not believe in hiring the graduates of Europe's business schools. They feel they have absorbed an excess of theoretical information, that they have insufficient practical experience and that they ask for too much money.

Ford has no such qualms. The company recruits Masters of Business Administration graduates from schools like

Innsbruck in France, Imeide in Switzerland, Iese in Spain and Bocconi in Italy.

Lataif believes that "the European business schools attract some of the most talented graduates. These graduates are, in turn, attracted to companies like Ford, who are able to offer them the opportunity to develop this international outlook."

ing a forum for the company's top managers to meet, share ideas and experience and talk with top officers of the company about its worldwide objectives and priorities," Lataif says. "It is a pooling of ideas and information that provides executives with a wider perspective of the company's activities."

Ford's top 2,000 executives are expected to attend a week-long session at the centre at least once every two years. Not more than 50 executives attend each session and they are divided into smaller working groups for the week. "Each programme is carefully structured to give a balance of

nationalities, levels of responsibility and areas of expertise so that the widest range of views can be brought to every issue tackled," Lataif says. In addition, Ford of Europe holds twice-yearly management meetings for all 320 of its senior and middle-ranking executives. "Once again, there is always a deliberate mix of country and job function in the discussion sessions where participants go through strategic plans, business plans and product developments in frank, open debate," Lataif says.

European Business Journal, 19b Compton Terrace, London N1 2UN. Tel: 01-559-9579.

TECHNOLOGY

Mobile communications have been such a phenomenal success in the UK that the Government is preparing the ground for yet another big expansion of the market.

Following the success of car and other cellular phones, and with a revolutionary pocket-phone service called telepoint on the way, the Department of Trade and Industry in January published a consultative document called "Phonics on the Move". The document outlines plans to introduce, as soon as possible after 1991, a third variety of personal communications: "This new mobile phone is to be more sophisticated than telepoint, but cheaper than the up-market service provided by cellular."

Lord Young, the trade and industry secretary, has said that the service should be cheap enough for commuters and shoppers. It is still far from clear that personal communications will be free from telepoint's principal defects: customers cannot receive calls and to make them they have to hunt around for a base station.

Now tens of companies from the UK and abroad, where Britain has gained the reputation as a pioneer in mobile communications, have submitted their ideas on how the service should work.

Some, such as British Telecom and Motorola of the US, have refused to talk. Those which have commented divide into starkly different camps. At one extreme are companies such as Plessey and Cable & Wireless (C&W), which are advocating an ambitious "bells and whistles" service. Their idea is not simply to provide a new niche mobile facility, but a mass of services which would compete with both BT's local phone system and cellular services, as well as providing personal communications on the lines sketched out in Phonics on the Move.

"We have to move rapidly if the UK is to keep its lead in radio technology," explains Jonathan Solomon, C&W's director for business development. The main drawback to this approach is the expense. Plessey thinks it would cost \$2bn to build two competing networks. Although that sounds like a lot of money, one telecommunications official described it as "chicken feed" compared with the amounts of money BT has invested in its network.

At the other extreme is PA Technology, a UK consultancy which has helped to define previous mobile systems. Geoff Vincent, a consultant, says that there is a danger of "getting carried away by the hype."

Rather than pouring billions of pounds into a new service and a technology for which demand is doubtful, Vincent advocates an evolutionary approach. In particular, he argues that the new telepoint operators should be allowed to develop their services gradually into personal communications in response to market pressures.

Somewhere in between these extremes lie companies such as STC of the UK. Unlike PA Technology, it is proposing a new system. Unlike Plessey, it is aiming to keep down costs by trying to eliminate as many of the bells



Fighting talk on new mobile phone

Hugo Dixon reports on the contrasting approaches to personal communications

and whistles as possible. It puts the cost at a few hundred million pounds. Each approach entails a different technological solution.

Plessey is proposing a network of micro-cells, each 1 km in diameter, covering all the UK's urban areas. Overlaying this would be another network of macro-cells, of about 5 km diameter, which would cover both urban and rural areas. At the centre of both types of cell would be base stations transmitting radio signals.

The micro-cells would be used for providing two types of service. The first would be for people in town - the shoppers and commuters. The second would be for people at home: they could dispense with the wires provided by BT and communicate with the outside world by radio.

The macro-cells would also have two functions: to provide a car phone service, competing with the cellular networks run by Cellnet and Rascal Telecom, and to link the micro-cells. Somebody making a call from home would first be connected to the nearest macro-cell by a radio link, before finally linking into BT's or Mercury Communications' wire network.

If people moved out of range of one of the macro-cells, their calls would be automatically diverted to the next one. Micro-cells would also be able to hand over calls in this way, but only at slower speeds.

Plessey is proposing a simplified version of the GSM radio interface as the technical basis for the new system.

GSM is the standard for the pan-European cellular system, which is due to come into operation from 1991.

Plessey says that GSM is the only standard currently available that can provide all the services required. By relying on the back of a European-wide development, it argues that many of the same microchips could be used, leading to economies of scale.

For each type of service, there would be a different charge. The aim would be to undercut existing telecommunications services - cellular, telepoint and BT's fixed service.

Plessey believes that it is possible to offer these discounts and make a profit for two reasons. First, the infrastructure cost would be spread over the three main types of service. Second, the immense cost of digging up roads would be avoided by using radio to link customers to the telephone system.

Financial success, however, depends crucially on Plessey's forecast of 10m to 15m people using the system within 10 years of its launch. "If it is 5m customers, it is a disaster; if it is 30m it would be a license to print money," says Professor William Gosling, the company's technical director.

Compared with this ambitious scheme, STC's proposals look rather modest. On almost every technical point, it has challenged Plessey's suggestions, which it believes will be excessively complicated and expensive.

Unlike Plessey, STC is proposing only one layer of cells - micro-cells with a radius of between 100 m and 1 km. These would offer full coverage only in

urban areas.

STC proposes to deal with the rest of the country by grafting a narrow-band paging system on to the micro-cellular network. Base stations would be used for sending out paging signals as well as carrying conversations. These paging signals would have a much longer range and could, therefore, be used to track the location of mobile handsets across the country.

Locations would be fed into a centralised "intelligent" database, to which anybody trying to call one of the new mobile phones would be routed. If the mobile phone were within range of a base station, a further paging signal would be sent out to it. This would tell it to contact the intelligent database where it would be connected to the caller. If the mobile phone were out of range of a base station, the caller would be able to leave a message with the database or bleep the person they wanted to contact.

STC claims that such an architecture would keep costs well below those of cellular. The use of an intelligent database to track the location of handsets would minimise the cost of computer processing, and the small cells would make for an economical use of power.

The key element of STC's plan is to use DECT rather than GSM as the technical interface. DECT is a new cordless telephone service being developed for the European market.

STC argues that DECT is a cheaper standard than GSM. For example, calls would not be transferred from one base station to the next if the handset moved out of range. This handover facility, which Plessey is proposing to incorporate in its concept, is described by STC as "an unnecessary complication."

STC also takes issue with Plessey's contention that GSM is the only standard available. Rapid progress is being made on DECT and, although the standard is not yet finalised, STC argues that it would also take time for Plessey to simplify and modify GSM.

PA's approach is conceptually closer to STC's than to Plessey's in that it is also advocating a combination of paging and cordless telephone technology.

The crucial difference, however, is that it does not believe a new service is needed. Instead, the Government should allow telepoint to develop from a one-way into a two-way mobile service. It could do this by giving the telepoint operators extra spectrum so that they could add a paging function to their networks. And the technical interface would be the CAI standard being developed for telepoint.

Geoff Vincent believes that introducing yet another mobile service so soon would confuse the public. Although he does not oppose in principle the systems advocated by Plessey and STC, he believes that demand will be insufficient and the technology will not be ready until the mid-1990s. In the meantime, he argues that the Government should not artificially constrain the development of telepoint.

It remains to be seen which set of arguments will win the Government's approval.

Oil reclaimed from slop

A WASTEFUL by-product of oil refining is an unpleasant substance called slop oil, a partly emulsified water/oil solids mixture which is also an environmental hazard. However, it contains useful oil and the Swedish company Alfa Laval is supplying the Soviet Union with a reclamation plant that extracts a saleable product.

The company's latest project, a \$4m plant at Novokuznetsk refinery, 1,000 km south-east of Moscow, has been in action for a year and in the first six months 50,000 tonnes of slop were treated, from which 14,000 tonnes of oil were recovered at a market value of \$1.32m.

Slop oil is drawn from the refinery's pond by a floating collector unit and is heated by steam injection to 75 deg C. Coarse particles are removed by a centrifuge and the partially cleaned liquid is heated to 98 deg C and passed into the main centrifugal separator.

The cleaned oil moves through a heat exchanger to cool it and reclaim the heat, while the water and fine solids are discharged separately. The four outputs of the process are clean oil, relatively clean water, soft sludge and coarse solids.

In the Novokuznetsk plant, the water will be passed through an additional separation stage that will make it safe for direct discharge into the Volga.

Measuring stress in aircraft

THE STRESSES in aircraft, caused by take off, climbing, descent and landing, can be monitored accurately and automatically with a computerised, on-board measuring system developed by Lockheed Electronics of Marietta, Georgia, in the US. Such stresses are recognised as an important cause of structural failure.

The system consists of a computer that collects and processes data from stress-measuring devices at various points on the airframe, and from the aircraft's regular instruments for monitoring air speed, altitude and vertical acceleration.

WORTH WATCHING

Edited by Geoffrey Charlish

The processor, which is programmed with stress details for the particular aircraft type, records all the instances in which the manufacturer's design tolerances are exceeded. Ground crews subsequently analyse the data to determine the effect of unusual stresses on the aircraft and to find out whether over-stressing could result in structural failure.

William Sprot, the Lockheed project manager, emphasises that the system cannot by itself predict catastrophic failures, but "it can help ground crews to project trends by providing much more visibility into the condition of the airframe."

Picture Book for PC users

DIGITHURST, the electronic imaging specialist of Royston in Hertfordshire, is offering a system called Picture Book which lets IBM PC and PS/2 computer users design and operate full-colour picture and text information systems.

Applications could include training, business presentations, electronic reference "books", photographic libraries and travel guides.

There are two software modules, called Editor and Run-Time. The first is used to compile the "book" by capturing images from video cameras, or entering others from storage systems such as magnetic or optical disk. Each image can have up to 99 points of interest defined on it, each of which calls up an associated image at the next level down.

For example, a travel guide could show a coastline with hotels and the user could zoom in on each hotel by choosing the appropriate

point on the screen. From the hotel picture, a room could be chosen and displayed. Each picture can have a descriptive text linked to it. Connections with other levels or "branches" of this "tree" can be written into the software, so that the designer has control over how the user is guided from one idea to another. Up to 45 levels of information can be provided, giving scope for complex information structures. Users can browse through the book simply by pointing at areas of interest or key words on the screen, thus calling up the next picture. A small version of the next picture can be seen in a corner of the screen. The Run-Time product turns the compiled "book" into disk form so that it can be distributed. This software prevents unauthorised copying and protects investment where, for example, a company has created a picture book on behalf of a client. Picture Book costs \$685.

CONTACTS: Alfa-Laval Separation, Sweden, 751 65000; Lockheed Electronic Products, US, (404) 494 4411; Digithurst, UK, 01875 242555; Coverplant, France, 0337 6542.

THE PROPERTY MARKET

Paul Cheeseright on two developments which typify the move from central locations
Fringe benefits and worries

THE BIG development companies tend to feel more comfortable with projects in central locations. They would argue that such projects are safer and less prone to the effects of market fluctuations. The fringe is hurt first.

But it might not be as simple as that and there have been two companies in London this week acting in a way which contests such loosely accepted wisdom.

Estates & General announced that it and Greater London Enterprise next October will start the construction of 160,000 square feet of office space at Regent's Wharf, just to the east of British Rail Property Board's massive Kings Cross redevelopment site.

This is an area where development projects have been few although investment interest has been stimulated by the plans for Kings Cross generally. Certainly it is not an established office area.

Parc Securities meanwhile received detailed planning consent from the Wandsworth Borough Council for its larger mixed development at Battersea Wharf, on the south side of the Thames facing Victoria. Here the office content of the scheme is 342,000 square feet.

Development in the Batter-

sea area close to the Thames has been more extensive than around Kings Cross, especially in the residential sector, but it could scarcely be said to be a favoured office district.

Both these projects have something in common - they are next to water and will use this as a card to draw in tenants. And both of them are on land which needs a facelift.

Both reflect the changing nature of the economy in the sense that they will be providing space for white collar occupations where once the main use of the land was industrial. To that extent they reflect the spread of the traditional London office districts.

It is at this point that the accepted wisdom of the centre being best may begin to fray at the edges. There may not be a centre, just districts competing with each other for tenants.

The process of decentralisation out of city centres is well-established, not only from London but also from cities like Manchester. Neither Estates & General nor Parc will be out on a limb, unless the economy shuts down behind them.

Both Estates & General and Parc, by choice or chance, are taking part in the establishment of new decentralised commercial districts. Although Estates & General will proba-

bly have finished building by the time the main Kings Cross development starts, its project is an early start to a large movement of capital into the district.

Similarly the Parc project is one of several which create a belt of mixed development along the south side of the Thames. They include Mr John Broome's troubled and expensive attempt at turning the old Battersea power station into a gigantic leisure park and Regalian's Vauxhall office development, sold to the Government before the first hole has been put in the ground.

This decentralisation is not just a developer's stunt encouraged by the liberality of the banks. It has been a response to the demands of a changing and expanding south-east England economy. Growth has stimulated the reclamation of derelict land. And because this economy is likely in the foreseeable future to suck in a disproportionate share of national commercial activity, there is

no reason to doubt that, over the long term, both these projects will be valuable.

However, the short term is more difficult. Construction starts this year against a background of a rise in the amount of floorspace becoming available in central London but a fall in the number of development proposals coming forward.

Parc's site is such that the office development, designed for up to four tenants, with its associated residential, retail and hotel elements, need to go forward together. Sale or leasing of space in one part is not likely to be successful unless the rest has been completed. People do not like to live, work or stay on a building site. The whole will take at least until spring 1992 to finish.

Estates & General can be more flexible as the development takes place in phases starting from the renovation of old but crumbling warehouses at the centre of the site. The individual units of space are

relatively small. But if the present plans go ahead, completion will also be in spring 1992.

The state of the central London property market by then is matter for conjecture. On the supply side, according to the calculations of Jones Lang Wootton, office completions were 6m square feet in 1988, are expected to reach 7m square feet this year and should peak at 10m square feet in 1990. But that excludes London Docklands and whatever may happen in districts like Paddington. At any rate there will be considerably more space available in the 1990s.

The demand side is equally difficult. "We don't see Regent's Wharf as a financial location - there's more than enough supply in the City. We see this as a professional quarter," said David Bloomfield, the Estates & General managing director.

At Battersea, Parc is not keen to have tenants who would not be registered for



Outlined, Regent's Wharf, site of an Estates & General project. In the background, the railway lands of Kings Cross

VAT, so that pretty well rules out the financial sector. Brian Maple, the managing director, sees the offices as geared to the communications industry.

The approach at both companies appears to fit what has been happening in the market. A recent study of sources of demand for offices in the central London area by Debenham Tewson and Chinnocks showed that the dominance of the financial sector had been reduced partly because of an

increase in the demand for space by the professions.

But, DTC noted, the professions are a subsidiary sector dependent on overall economic expansion and, in the case of central London, the prosperity of the financial markets. "If the economy should falter and/or a new stock market crash occur, the assumed rapid growth of this sector could evaporate."

At best Parc and Estates & General will be in a very competitive market.

One of the characteristics of the fringe and out-of-town office markets has been the sharp rise in their rents so that the sharp differential between centre and outside has been eroded. Looking inwards, Parc's prime space will probably cost around £80 a square foot, not hugely different from Broadgate in the City of London. Looking outwards, Estates & General's space will probably cost around £30 a square foot, not hugely different from Uxbridge on the M25.

	Retail	Office	Industrial	All Property
Year to Dec. 88	19.9	27.9	22.2	23.9
Year to Mar. 89	18.2	27.8	23.4	23.3
Monthly rate - March 89	1.1	1.8	1.9	1.8

Source: Investment Property Database

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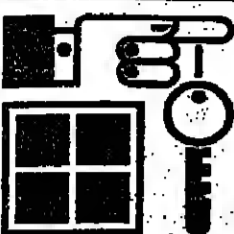
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FINANCIAL TIMES SURVEY



Europe's largest urban redevelopment programme is well under way in London's Docklands.

Improvements in transport to this former industrial desert, however, are trailing behind residential and commercial development, writes

John Brennan

Extra wing for London

"THIS IS the most vibrant, exciting development in the world," Michael Honey may be excused a little melodrama. He is, after all, the chief executive of London Docklands Development Corporation (LDDC). He is also able to reel off the statistics of success at the pace of an auctioneer, and with the messianic gleam of a man who has seen the classic urban regeneration projects from Baltimore to Singapore and found them to be pale shadows of the work under way downriver from the City of London.

Private sector investment of £4.5bn has already been committed to developments within this eight-and-a-half square miles of former industrial desert. In the next few weeks the LDDC is expected to have cleared the timetable for the remaining parts of the further £2.1bn-worth of developments planned at the eastern end of its territory in the vast flatlands around the Royal Docks.

Add in a modest £400m of direct public sector development funds, plus government commitments for £750m-worth of new road and rail links, and you can see why Michael Honey exudes enthusiasm.

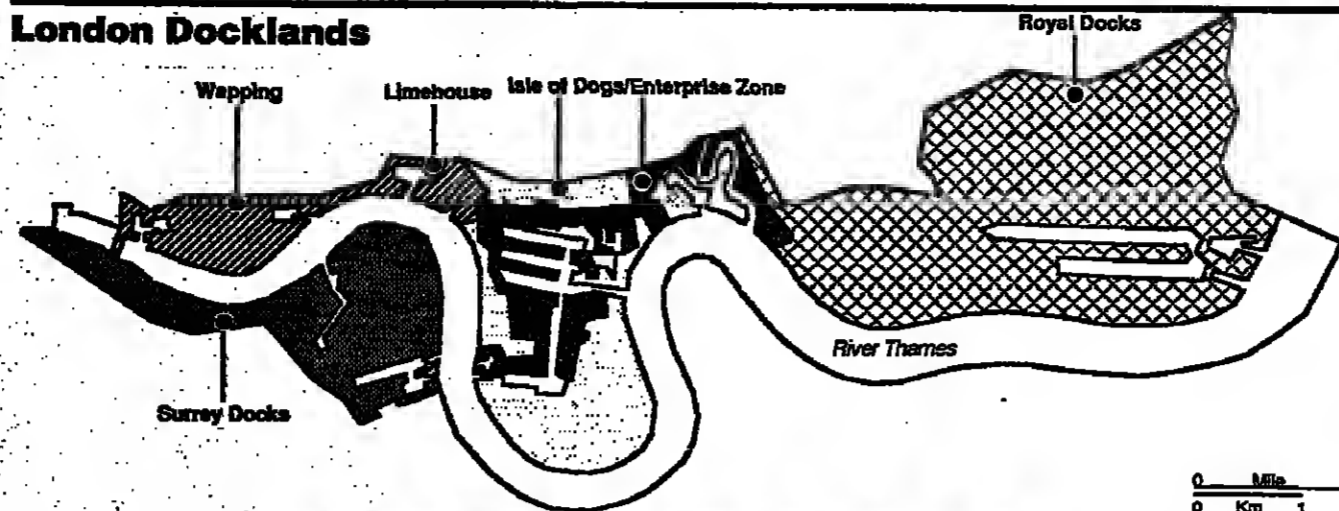
Yet, in the same breath, he describes Europe's largest urban redevelopment programme as "London's best kept

secret". Everyone has heard of Docklands, but few have visited, and fewer still have any clear picture of what is happening there. Much of that problem, and most of the risk for developers in the area, can be summed up in a single word: access.

Taxis still get lost trying to weave their way past the construction vehicles into areas they would not have accepted a fare to a few years ago. Even before so much of it got bombed out of shape, the local road system was never designed to allow for cross-Docklands access. Cargoes were unloaded at individual docks, handling their own cargo, specialisations which were then hauled out of the area. Such inter-dock traffic as was necessary was left to the water, which is not much comfort for local car owners or bus users today.

The tube stops at Wapping, and it was not until the opening of the Docklands Light Railway in 1987 that there was any effective, if limited, transit system for the Isle of Dogs. The DLR will not make its connection with the main underground system at Bank until 1991, and it will be a couple of years after that before it runs the length of Dockland to Beckton with its cross-Thames

London Docklands



LONDON DOCKLANDS PROPERTY

at least there has not been in the past.

The opening of a speciality shopping centre within the restored leaf sheds of Tobacco Dock in Wapping is expected to help draw in visitors. As an eastern version of Covent Garden, Tobacco Dock does not add much to the basic shop connection to Greenwich still a matter for speculation.

Now, even with the evident, urgent pressure to improve access into the area to provide for the staff of the 10m sq ft of offices due for completion between now and 1991, improvements to road, rail and water links trail the commercial building. Before the summer is out the main, 50-storey, 800-foot Canary Wharf tower will be rising at a rate of five floors a month to become, by a full 180ft, Britain's tallest building. Yet the main cut-and-cover roadway through Limehouse, which will widen the bottleneck of road traffic getting to the tower and to the rest of the office developments on the Isle of Dogs will not be open until mid-1993.

That is why Docklands is still "the best kept secret". The developers can see the potential, and those in the main office building area in the centre of the Isle of Dogs can offset the risks of building ahead of the transport improvements by enjoying the last few years of Enterprise Zone allowances. But unless you are building it, selling it, working for one of the 1,200 mainly small companies attracted to the area since 1981, or have lived there since pre-LDDC days, there has been no real reason to go there. Or

at least there has not been in the past.

The opening of a speciality shopping centre within the restored leaf sheds of Tobacco Dock in Wapping is expected to help draw in visitors. As an eastern version of Covent Garden, Tobacco Dock does not add much to the basic shop

Everyone has heard of Docklands, but few have visited, and fewer still have any clear picture of what is happening there. Much of the problem, and most of the risk for developers in the area, can be summed up in a single word: access

provision in the area, but it is expected to appeal to the tourists.

A Pavarotti Concert in June will also play its part in opening the area to newcomers. The singer's sole UK performance of the year should draw a different audience to the Isle of Dogs' recently completed 12,600-plus seat London Arena from those who make the trip into the area to catch Duran Duran's show there earlier this year. On a similar tack, the Academy of St Martin's in the Field is on its way east to a new permanent home in the Wapping Pumping Stations, and the sight of double buses

on the Light Railway and public concerts by the waterfront all help to dent the impression that the area is a cultural desert.

If those pleasures are too static, the social diary for the year ahead positively groans with sports events, from a visit by the Harlem Globetrotters to

the London and South East Water Ski Championships. There are armfuls of fashion shows, regattas and awards ceremonies vying for attention with some improbable events, such as The National Sheep and Wool Fair, which is to be held later this month at Surrey Docks farm. The area's permanent attractions are also being added with the opening of a museum showing the work of the ragged school movement.

These might seem to be trivial matters set against the multi-billion pound commitments to create an extra wing to central London. But they are far from frivolous for an area with

an image problem.

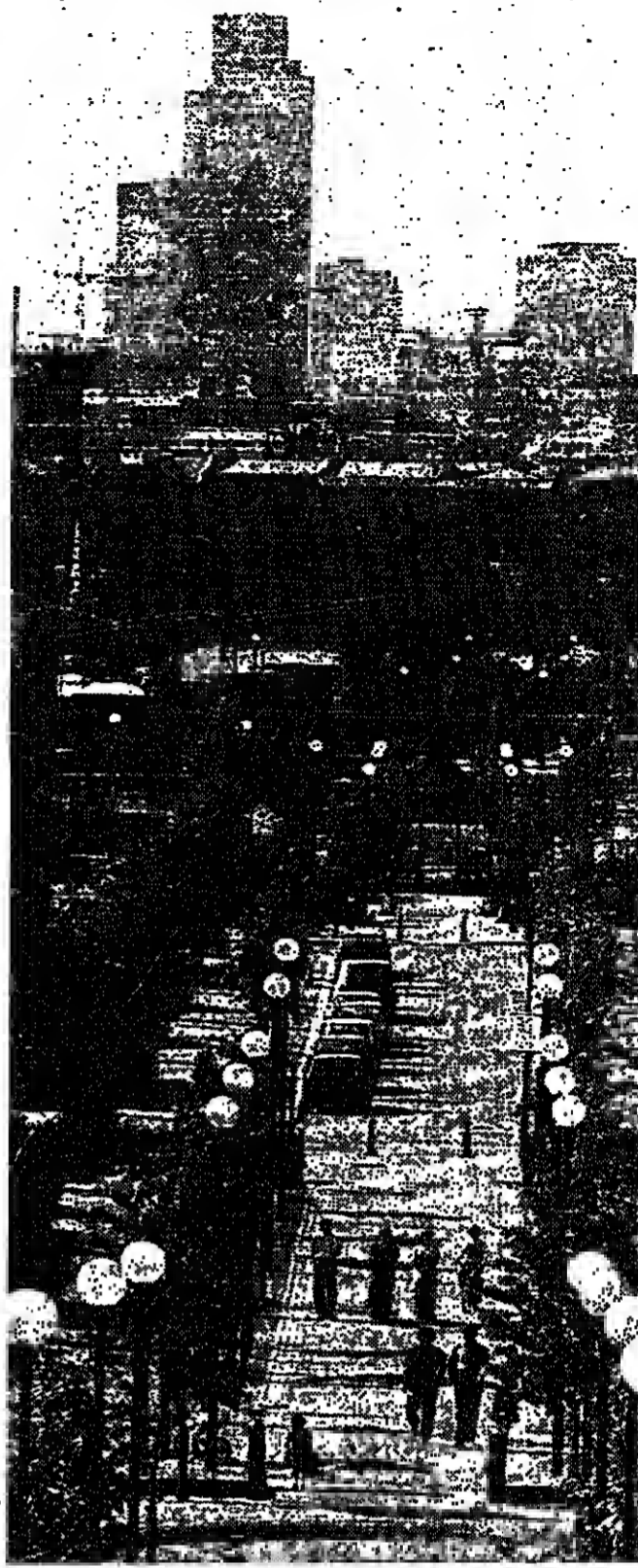
Transport problems or no, anyone who needs to get to an address in Docklands can do so. Having succeeded in winning the developers' cash, Docklands now has an urgent hearts and minds campaign to win to generate broader interest in the area. If it takes a Favarrotti or the Harlem Globetrotters to spark interest in the place, so be it, just as long as enough prospective occupiers and their staff do not mind sharing the building site inconveniences and the incomplete infrastructure with Docklands' pioneers.

The first phase of businesses into the area included many who positively liked the idea of working in the middle of controlled chaos. The critical next phase of incomers has to be persuaded that, apart from being cheaper, it is civilised, fun for staff and practical in terms of access to move east of Tower Bridge. The LDDC's role, as Michael Honey's "best kept secret" point affirms, is to make pioneer country look safe for settlers.

Surrey Docks: view of the City of London from Dock Hill

Photography: Alan Harper

CONTENTS	
Development Corporation	2
Phases of development	2
Local opposition and co-operation	3
Transport	4
Olympic & York Residential market	4
Office development	5



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LONDON DOCKLANDS PROPERTY 2

**Hazel Duffy on the Development Corporation
A shift in approach**

IN THE last 12 months the stance of the London Docklands Development Corporation (LDDC) has started to shift. Development at all costs was the theme which dominated the first six years. That is no longer the case.

The turning point was the agreement between the Corporation and Olympia & York for the development of Canary Wharf. The board of the Corporation - its membership changed substantially last year - seems to have developed a more stringent attitude towards development.

The hotch-potch of styles that is taking shape on the Isle of Dogs will not be repeated.

Board policy, with government encouragement, has also steered the LDDC executive towards taking broader responsibilities for a more comprehensive economic development of the area.

The new direction surfaced in the selection of the developers for the Royals, the furthest-most acres for which the LDDC has planning powers. The winning proposals from Rosehaugh Stanhope - one of three sections of the Royals to go out to competition - comprise an overall plan architecturally controversial, for a shopping centre, marina, housing and business parks.

The developers also have a compact with Newham borough which includes commitments to employ local people, following the example set by Olympia & York in a similar agreement with Tower Hamlets over Canary Wharf.

Another perspective on the LDDC shift was the determination to secure higher land values, reflected in the breakdown of negotiations last autumn with a consortium for the development of part of the Royals.

The changes on the board of the LDDC last year demonstrated ministers' private concerns that the achievements in Docklands on the property development front, which have been paraded politically around the world, could be undermined by the continued isolation of the corporation from broader development goals.

A report from the Commons Public Accounts Committee had also aroused concern about the lack of accountability in the use of public money



Mr Honey: sound managerial experience

which is inherent in the development corporation mechanism.

Meanwhile, the LDDC is at the centre of a gathering crisis which relates to poor roads and communications generally. The very success of the property-led approach has exposed the inadequate infrastructure. Lobbying at the highest level by Olympia & York and other developers, backed by the corporation, led Mr Paul Channon, Transport Secretary, to give special responsibility for public transport to his minister, Mr Michael Portillo.

Progress is being made on roads. Some £50m has been earmarked for improvements, including the east-west Limehouse link. But the means of funding new public transport links, and some of the road improvements, remains uncertain.

The LDDC last year told the Environment Department, which funds the corporation, that without an increase in grant, the social obligations which the corporation had entered into with the local boroughs could not be met.

The campaign was taken up by businessman Mr David Hardy, who took over as chairman of the LDDC last autumn from Sir Christopher Benson. A former deputy chairman of London Regional Transport and chairman of the board of the Docklands Light Railway, he brought expertise on the workings of Whitehall in public transport, as well as business experience.

He was greeted with the announcement by Mr Nicholas Ridley, Environment Secretary, that the Government had agreed to top up the 1988/9 grant, bringing the total for the year to £116m. For the current financial year the LDDC says that negotiations are close to being finalised for a grant of "£100m plus".

The financial problems, however, are far from over. The LDDC needs to be sure of continued funding on this scale, and satisfactory revenues from land sales, if it is to meet the transport and social commitments which the board believes are necessary to make Docklands work.

Political balance to the LDDC board was brought by the appointment of Lord Cocks, former Labour chief whip, to the post of deputy chairman. Mr Lambert Spencer, chief executive of Project Fulcrum, which promotes training and work opportunities for long-term unemployed people, was brought on to the board. He was also special adviser to the Commons Employment committee, which produced the highly critical report last summer of the LDDC's share in relation to training and employment in the Docklands area.

Mr Alan Benjamin, director of CAP group of consultants, was given special responsibility for employment matters. Mr Jonathan Mathews, a Tower Hamlets councillor, and architect Mr David Davies completed the non-executive line-up.

The new chief executive, Mr Michael Honey, taking over after the brief sojourn of Major-General Rougier, also joined the LDDC with a reputation for sound managerial experience with a local authority (Richmond, Surrey). Controversy has surrounded the LDDC since the early days. It can be seen now to incorporate some of the weaknesses, as well as the strengths, inherent in the Government's urban development corporation policy. Similar problems on the pace of development, and the need to assure local residents that public money is being spent to their advantage as well as for the newcomers, will emerge, although on a smaller scale, in the other UDCs.

THE CREATION of the London Docklands Development Corporation in 1981 - under the terms of the previous year's Local Government Planning and Land Act - owes as much to exasperation with decades of abortive development hopes as to any visionary ideas about the area's potential. And the measure of success of the LDDC can only fairly be judged against the fact that today's construction activity takes place on the grave of Britain's major sea port.

From early Roman times to the end of the 18th century, London's water-borne trade was landed at the quays and wharfs of the Pool of London on the City river from below St Paul's Cathedral. It was not until 1793 that major construction works began to transform the quiet Thamesbank east of the City. In that year Parliament sanctioned a private Bill by the West India Merchants to ease the congestion and delays caused by squeezing 85 per cent of the country's total international trade into the medieval port area.

The merchants were given leave to build the West India Docks on the Isle of Dogs which, when they opened in 1802, were secured behind high brick walls guarded by armed militia and special constables. Once broken, the City port's monopoly disappeared as the banks of the Thames from Tower Bridge to Gallions Reach disappeared under successive armies of labourers. The navigators or 'navvies' using the techniques of canal building and with no more mechanical help than picks and shovels, hand-carved and rebuilt the landscape to create the London and the East India Docks.

St Katharine's by the Tower of London followed, along with the Surrey Commercial Docks, The Royal Victoria, the Millwall, and the Royal Albert Docks. The new docks at Tilbury marked the end of more than half a century of constant development, much of which had taken place at a time when the policy of free trade and opening up of the colonies had spurred a vast expansion of the British merchant fleet.

In 1885, a third of the world's ocean going ships, and four-fifths of the world's steamships, flew the Red Ensign. From the time they opened,

John Brennan traces the history of the Docklands area

A far from inevitable rebirth



A lunch-time pint at the City Pride. Behind: the Casco development

London's new docks were packed with cargo vessels and in the mid-18th century the Isle of Dogs was Europe's largest shipbuilding centre.

Dock building effectively created London's East End, a phrase that only came into use in the 1860s as the working population followed industry's spread into the wildfowling marshlands and the country villages north of the immediate dock areas. The riverside hamlets of the sailors and ship workers and country villas of City merchants in Poplar and Hackney were fast surrounded by cheaply-constructed terraced housing for the new industrial community.

Dockers worked day to day, queuing at the dock gates each morning to be taken on to handle a cargo, a brutish casual system that helped to make life in the area a losing battle for survival for much of the population. In 1880 the social historian Arthur Morrison wrote of the area - beyond the City boundaries where, "... an evil plexus of slums hides human creeping things, where filthy men and women live on penur'ous of gin, where colliers and clean shirts are decencies unknown, where every citizen wears a black eye, and none ever comb his hair."

Drawn under the single management of The Port of London Authority (PLA) in 1909, a further phase of mid-war dock developments made the Royal Victoria and Albert and King George V Docks, "The Royals", capable of handling the largest ocean going vessels. A patch of land then needed to extend the Jubilee tube line into and around Docklands to help break the impasse of poor communications blocking new job opportunities. But GLC leader Sir Horace Cutler found central Government responses to the scheme, "so lukewarm as to amount to outright opposition."

By this time Taylor Woodrow had made one small beach-head of new private development in Docklands with the start, in 1971, of its initially limited hotel, commercial and residential scheme around St Katharine's Dock,

and as the PLA planned the future of London's port out by the major cargo routes of the Channel.

In the event, this confident vision collapsed under the weight of restrictive labour practices and long-term underinvestment in the existing docks. The failure of the PLA's proposals for its "Maplin Seaport" proved to be only the final phase of a slow motion commercial catastrophe that handed London's long-dominant role as the focus of western European seaborne trade to Rotterdam's Europort.

The full scale of this commercial disaster was masked by the gradual pace of the port's decline. As fewer cargo vessels made their way up the Thames in the 1960s, substitute jobs were talked about, but not seriously planned for. Vacant

Rusting corrugated iron fencing masked untouched bomb sites

wharfsides provided cheap space for scrap yards and truck parking, empty warehouses provided good Victorian back-grounds for film crews, but they failed to attract the manufacturing jobs that the Docklands local authorities believed to be the natural employment base for the area.

At the beginning of the 1970s Docklands activist Ted Johns announced that, having evidently been abandoned by the rest of the country, the Isle of Dogs was leaving the United Kingdom. A Unilateral Declaration of Independence was drawn up, customs posts manned and passports issued in an effort to draw attention to the poor housing, schools and public transport in the area. The TV cameras came, and went. Even UDI couldn't help restore the 150,000 dock-related jobs that had given the area its commercial life in the peak traffic days after the Great War. And by the mid 1970s every one of the remaining 28,000 dock jobs had gone, along with 6 in 10 of the area's

population.

The Department of the Environment and the Greater London Council sponsored a management consultancy report aimed at solving a regeneration plan in 1972. But it was not until the GLC and the Dock boroughs of Tower Hamlets, Newham, Southwark, Greenwich and Lewisham joined to form the Docklands Joint Committee (DJC) that there was any effective strategic planning for the area.

Against the tide of events, and as late as 1976, the DJC was arguing that it wished to see, "a flourishing and viable port in East London". Its £800m reconstruction programme had to take account of the financial limits made clear in a Government White Paper on Docklands published in August 1978 and that had concluded with the blunt decision that, "the Government has no plans for special forms of support aid and beyond" normal state aid for transport, housing and education support.

Improved transport was seen to be one key to the area's revival, and the DJC's plans foreshadowed much of the LDDC's eventual programme with a scheme for a new tube line, the "River Line", as well as a rapid transit rail system and improved roads and river passenger services. But the core of this plan also assumed that Docklands revival depended upon creating new industrial jobs.

In 1978 the GLC was prepared to try to raise the £450m then needed to extend the Jubilee tube line into and around Docklands to help break the impasse of poor communications blocking new job opportunities. But GLC leader Sir Horace Cutler found central Government responses to the scheme, "so lukewarm as to amount to outright opposition."

By this time Taylor Woodrow had made one small beach-head of new private development in Docklands with the start, in 1971, of its initially limited hotel, commercial and residential scheme around St Katharine's Dock,

close to Tower Bridge. Local planners opposition to anything that did not create industrial jobs dogged the project's early years.

Locked into a seemingly irreversible decline, much of Docklands at the end of the 1970s presented a picture of rusting corrugated iron fencing masking untouched bomb sites with traffic-less potholed streets running between boarded-up warehouses and decayed, water stained council estates where the only fresh paint was the graffiti.

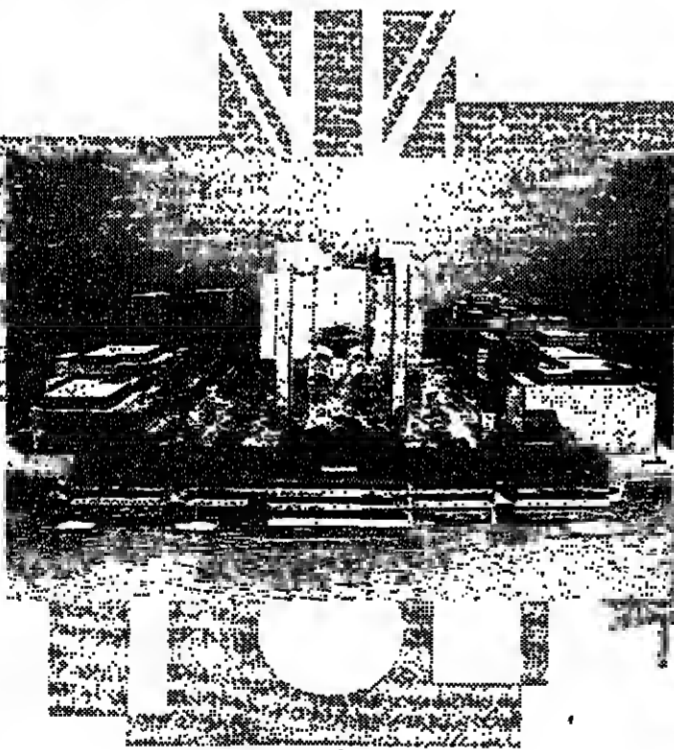
It was for just such areas of urban decay, where the problems far outweighed any normal regeneration schemes, that geography Professor Peter Hall had suggested trying to capture something of the unregulated commercial vibrance of Hong Kong by designating tax-free and planning-free zones in the most run-down parts of Britain's older industrial cities.

This might have remained an interesting theory but for the interest shown in it by Sir Geoffrey Howe, who referred to Enterprise Zones in a series of pre-1979 election speeches, and who included provision for such zones in his first budget as Chancellor of the Exchequer in the new Conservative Government later that same year.

The central area of the Isle of Dogs became one of the first of these Zones with a 10-year exemption on rates and 100 per cent Corporation and Income Tax allowances for capital expenditure on industrial and commercial buildings. And it was the Chancellor's support in cabinet that helped to ensure the success of the then Environment Secretary, Michael Heseltine, in arguing the case for making Docklands an exception to the Government's non-interventionist policy.

His plan for a single Development Corporation, which would be able to override each individual local authority's elective powers, may seem to be a rational solution with the benefit of hindsight. But it took a full 50 days of hearings by an all-party committee of the House of Lords to work through the petitions of pro-Continued opposite

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The desirable affordable headquarters.

Continued from previous page
 test, hear local witnesses, and see for themselves the extent and the effects of the virtual collapse of economic life in the area. The Lords concluded that an authority charged with creating a "lasting regeneration" of Docklands had to be given a chance to succeed. With a desirous initial budget of £60m the LDDC came into being.

Nigel, now Sir Nigel Brookes, former chairman of Trafalgar House, was persuaded by Michael Heseltine to be the LDDC's first chairman. Planner and former new town chief Reg Ward set up the LDDC team as its first chief executive. Between them they set up an aggressive marketing programme, a TV and poster campaign asked "Why move to the middle of nowhere when you can move to the middle of London?" They used the LDDC's powers to assemble sites, and its limited cash resources to help in their clearance for housebuilding schemes - the only private venture investment that showed any real interest in the area at that time.

Rather than ape the traditional development area pattern of building advanced factory units and hoping to fill them, Brookes and Ward set the tone for the LDDC's early years by, as Brookes said, "making a start wherever we can".

Subsequent criticism of the LDDC's failure to impose a coherent planning structure and a consistency of architectural standards on developments ignores the reality of the situation in those early years when every investment was seen as a pioneering gamble. The LDDC's role was one of crisis management, not, at that time, part of any conscious shift of activity in London to its more developable eastern side.

Subsidised development sites made it possible to provide low-cost homes for purchase to local residents, 95 per cent of whom were council tenants.

Private sector investment in property will total over £6.5bn

Much of the councils' initial opposition to the developments, and housebuilders' worries about being able to sell in Docklands, crumbled as it became clear that tenants were jumping at the chance to buy. At the same time, the first residential conversions of warehouses in Wapping and Limehouse, and south of the river in Shad Thames, coincided with the early stages of a five-year bull market in housing across London. The problems that had dogged earlier developments, and made even riverside housing in Docklands of interest only to a limited number of seeming eccentrics, were forgotten in a breakthrough in values. Flat prices doubled or tripled in value between 1981 and 1983, helping in the process to give the area an image as a property speculator's haven.

Late in 1982 the government agreed to fund the first stage of the Docklands Light Railway. That was a crucial reaffirmation of its commitment to infrastructure improvements and it had an immediate impact on land values. When the LDDC was formed much of Docklands would have rated a negative value, given the extent of clearance work in many areas. After 1983 values moved up steadily as there came to be competition for the best riverside sites. By the mid-1980s there was a fierce secondary market in site options as development companies that had been initially sceptical about the area began to realise that

they were missing out on the biggest building site in the country.

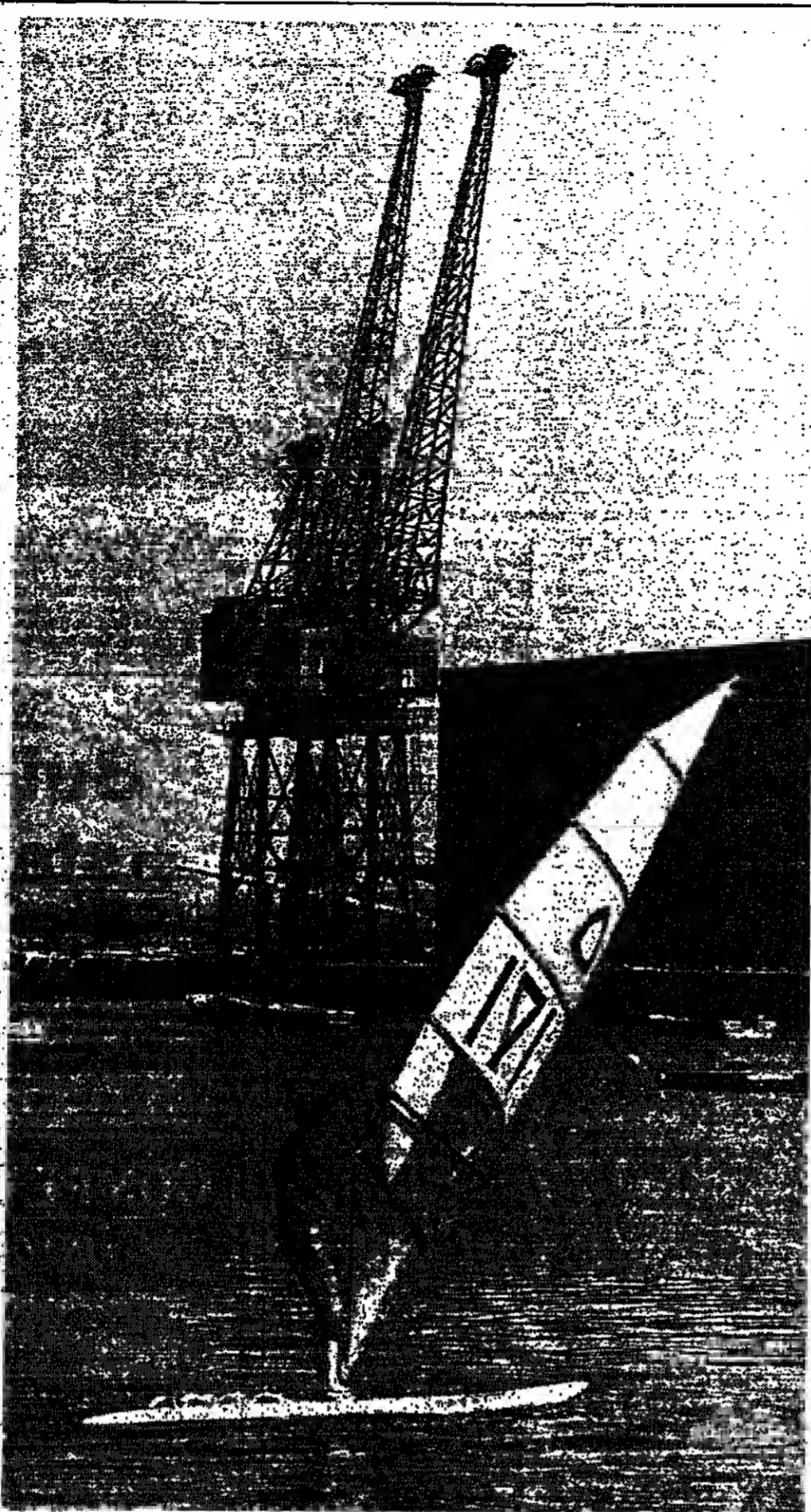
By the time Christopher, now Sir Christopher Benson took over as LDDC Chairman in July 1984, he was able to talk of "a surge of great activity", with over 200 new companies and 5,700 new jobs having been drawn in. Brymon Airways had overcome local scepticism by landing one of its aircraft on the central wharf of the Royal Docks, giving a foretaste of what was to become the City Airport. And the Stock Exchange's computer centre was preparing to join British Telecom and other giant telecommunications to give a high-tech flavour to the developments taking place on the Isle of Dogs. A public investment of £141m had drawn in private sector funds of over £800m - the LDDC could talk in terms of a "gathering momentum".

Yet no one at the LDDC had any idea then that the next phase of development would be nothing short of a direct challenge to the City of London's prime office market. In mid-March 1985, developer G. Wages Travistock was invited from New York to take a look at a 71-acre site on the Isle of Dogs by the then chairman and chief executive of Credit Suisse, Dr Michael von Clemm, and by Morgan Stanley's London chief, Archie Cox. Von Clemm had been looking for a site for a food processing plant when he first saw the wide-open spaces of the former West India Docks. He had interested Cox, and with Travistock the trio came up with the idea of Canary Wharf to provide the kind of large area trading spaces, unobtainable within the City. The sheer audacity of the project - a £3bn budget to create 8.5m sq feet of offices with towers as broad as the base as St Paul's and rising 260 feet into the sky - had a stunning effect on attitudes in Docklands.

The City reacted by overturning its restrictive draft plan and opening the way for 20m sq feet of urgently needed new accommodation. For the first time Docklands was being talked of as a challenger to the Square Mile as a base for international finance houses.

Wages Travistock's campaign to persuade City tenants into the Canary Wharf scheme did not win the commitments needed to make a start on the main construction works. But it did raise the level of serious interest in Docklands offices as an alternative to relocation from west central or City space into purpose-built, and lower cost, accommodation, out of town. That directly affected both the volume and the standard of other office schemes in the area.

The campaign also led to the eventual transfer of the Canary Wharf project in 1987 to the Canadian-based developers Olympia & York, one of the few property groups in the world with the resources to start building without confirmed pre-lettings. The start of work on Canary Wharf in 1987 could be taken as marking the end of the extraordinary opening phase of regeneration on the western side of Docklands. Just six years after the LDDC was formed, the 38 councils represented on the London Planning Advisory Committee were complaining that this once hopeless "no-go" industrial and social slum area was taking the lion's share of business growth in the capital. "These 45 years, then, a decade's worth of building work to be completed in the area from Wapping to the eastern side of the Isle of Dogs, and south along the river to the Surrey Docks, but the next major development phase will be the creation of a water city by the Royals, the largest of the old port's dock sites and the last to close, in 1981.



Windsurfing on the Royal Victoria Dock

Adding that to the total Docklands story takes the prospective private sector investment in property to over £8.5bn. And even limiting forecasts to schemes that are either under construction or which now have full planning consent, today's 5m sq feet of completed commercial and industrial space should be nearer 30m sq feet by the century's end - enough to account for a fifth of central London's commercial accommodation. Forecasts of 80,000 jobs by

1991, and over 200,000 by the year 2000 - with the housing, transport facilities and the broader infrastructure of shops and entertainment, restaurants and schools to serve the broader community - are no longer greeted with surprise, or scepticism. In many ways, the LDDC's success has been so swift, and so dramatic, that Docklands' revival is beginning to be regarded as though it were some inevitable process that would have occurred even if Sir Geoffrey Howe had not been impressed by Professor

Hall's theories, if Michael Heseltine had not believed in the value of executive control, and Sir Nigel Brookes and Reg Ward had not gambled their reputations on a long shot.

The Newham Docks Community Association recently started a trust fund to pay for a commemorative bronze statue of a dock worker to be placed in the Royal Docks. By the time they have raised the money, Docklands' last dock will be needed as a reminder of the phoenix-like nature of London's own new town.

David Lawson on local attitudes

Distrust remains beneath the surface

JUDGING whether Docklands is a glorious success or an epic disaster depends on where you stand. Newcomers moan about the nightmare of getting in and out of the place and its lack of "heart", but they are generally happy with their shiny flats and money-spinning blocks. Old-timers are still unconvinced.

That doesn't mean crochety grey-hairs whingeing in pubs about the way the world is passing them by, but the people and politicians there before the government threw the rulebook away and imposed a development corporation on this former industrial wasteland.

On the surface, things have improved a great deal since the three local boroughs rejected the intruder by refusing all contact. Now they talk work together and take the LDDC's money. But beneath the surface remains a strong feeling of distrust and dislike. Politicians are notoriously touchy the world over if they lose powers, particularly to someone appointed by a rival party.

Southwark, which worked with the corporation until local elections swung the borough sharply left, became an implacable enemy. But now it is back in harness on schemes such as the renovation of a municipal housing disaster called the Bedriff Estate.

"We have always been ready to deal with the LDDC on anything which benefits local people," says council leader Anne Matthews. "We just don't think it was necessary to set up the body to carry forward this sort of work."

Southwark's problem is the same as many another inner city council's: it is starved of government resources to carry out massive physical and social reconstruction projects. The LDDC has money and land but is not a housing authority. They need each other. So, for the last couple of years, the top people on both sides have been meeting to thrash out schemes such as Bedriff.

Corporation chief executive Michael Honey sees this as a sign that things are going much better with the locals. He needed to make this sort of progress after taking over last year in the shadow of criticisms that the LDDC had steam-rollered through local feelings to achieve development targets. But the scepticism was almost inevitable considering the original brief given by ministers to get things moving quickly. Early on, the corporation had little time to waste on local criticisms: its first priority was to get derelict land into use and widen home ownership. Now it can divert more effort to cajoling local councils.

Millions of LDDC pounds are being spent on training, education and community projects; Elizabeth Filkin, former chief executive of the Citizens Advice Bureau, has been recruited to oversee commu-



Elizabeth Filkin: overseeing community development

nity development; even the top people in the corporation are admitting publicly that not enough had been done to build bridges.

Time and political tides have run in the corporation's favour. It was always thought that opposition would fade as the LDDC worked in harmony with the boroughs and gave due consideration to the views of local people - a succinct summary in a remarkably honest statement of the corporation philosophy contained in, of all places, a briefing for local schools.

Harmony there may be, but this has more to do with expediency than Pauline conversion by local politicians. Newham signed a "compact"

It was thought that opposition would fade as the Development Corporation worked in harmony with the boroughs and gave due consideration to the views of local people

with the corporation after the last general election, accepting that it would have to work with the system or go short for another five years. By agreeing to co-operate over development of the Royal Docks it would get a share of the profits and 1,500 subsidised homes for local people. Meanwhile, Tower Hamlets politicians had swung right as Southwark went left, and the borough also came to an agreement. This promises LDDC-financed homes for 650 tenants in exchange for new roads.

Some community groups have held out, implacably opposed to every offer of peace. Others have acted as a buffer between the two sides, extracting real gains for local people. Without organisations such as the South London Family Housing Association,

estates like the Bedriff would not have been transformed. The LDDC needed their skills; Southwark needed the £22m Housing Corporation grant they brought - the largest ever made in the region. The scheme will produce more than 500 homes for rent and shared ownership at a time when the council has more than 360 homeless families in bed-and-breakfast.

But the undercurrent of distrust from the boroughs is still strong. The LDDC has put £5m into the Bedriff, the latest in a string of deals involving seven estates in the Downtown area which have created more than 450 homes in partnership with housing associations and developers such as Barratt East London. But Southwark believes the corporation is holding back on pledges of yet more money for the area, including a promised £2m training package under discussion for 18 months, according to Ms Matthews.

This lack of resources could prove a major stumbling block in the corporation's ambitions of creating a consensus in docklands. Government spending watchdogs have been tightening LDDC purse-strings and chief executive Michael Honey admits that continuing problems with Southwark are because of financial shortages.

Meanwhile, critics within borough planning departments are saying the "compact" signed with Tower Hamlets and Newham are full of holes. They point out that the promised benefits from the Royal Docks schemes have still not materialised and the alternative housing for those displaced by Tower Hamlets roads will be at much higher rents.

When questioned by local MP Simon Hughes in the Commons last month, Inner Cities Minister David Trippier said: "I am not aware of a problem with consultation. Indeed... it is my clear impression that consultation with local authorities in the LDDC area is better than it has ever been."

That may be true as far as it goes, but neither Southwark nor Newham have accepted invitations to put representatives on the corporation board while it remains secretive about decisions, and ill-feeling still lurks in local town halls after LDDC officials have had their meetings and left. It could hardly be otherwise against a background of political animosity on one side and tight purse-strings on the other.

The residents of estates like Bedriff perhaps typify the barrier the LDDC had to overcome. They are elated by the prospects of the long-delayed restoration of their homes, but it is a long slog to find one who has a good word to say for the very corporation which made the scheme possible. Like their councils, they are happy to take the money - but don't expect them to change their political views.

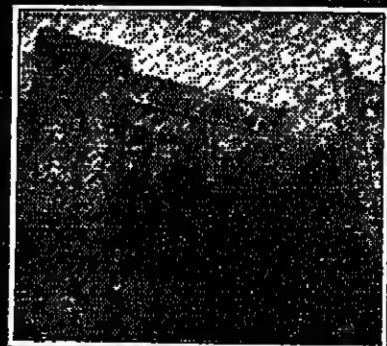
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LONDON DOCKLANDS PROPERTY 4

John Worrall on transport problems

Congestion is the price of success

FROM THE outset, transport planning in Docklands has been aimed at a moving target. In 1984 Docklands was expected to have about 6m sq ft of new business space. The signing of the Canary Wharf deal in 1987 first put another 12.2m sq ft of offices, including ancillaries, into the pipeline and then convinced the development sector that Docklands was a worthwhile bandwagon. Total development commitments now amount to 25m sq ft and more is likely as higher rents begin to justify the redevelopment of two and three storey buildings put up in the early days of the enterprise zone: 32m sq ft seems possible by the late 1990s.

Now comes the test of faith, however, because the implications of 200,000 or more jobs, a majority of them on the Isle of Dogs, are frightening many people.

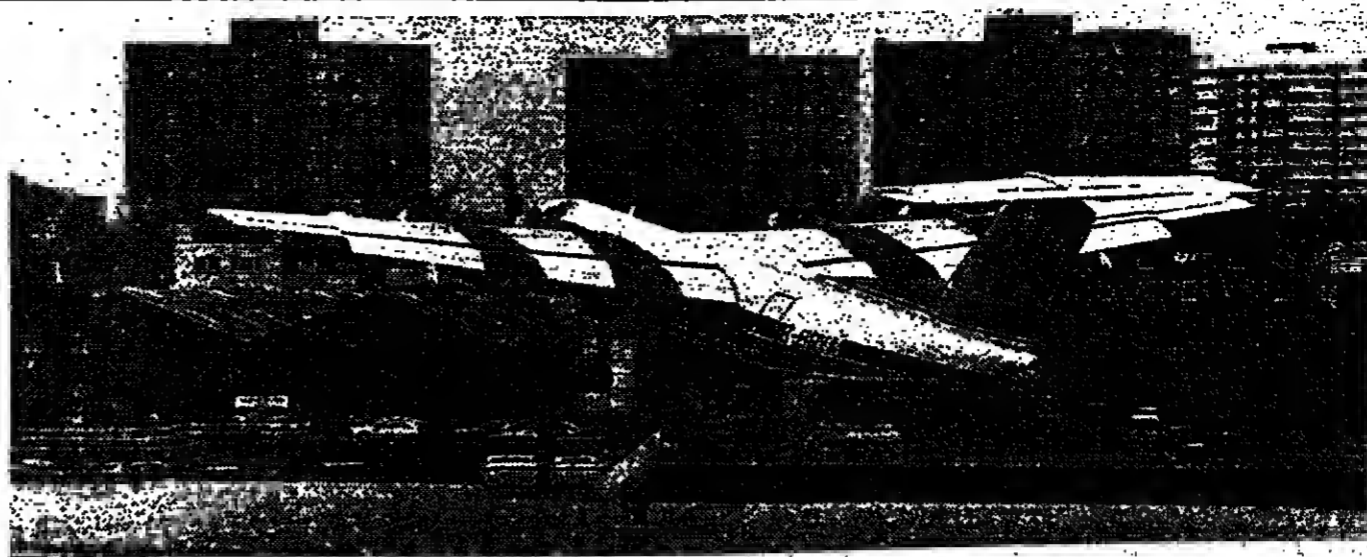
Congestion is already a byword for Docklands, with only a fraction of those jobs in place. "The change of pace of development is the root of the problem," according to Bob Blythe, Director of Roads at the London Docklands Development Corporation. "It is a temporary price of success. Canary Wharf has changed everything."

It has also highlighted the fact that this vast amount of proposed space is off-centre in the city's radial transport network and, as yet, without even the connections of more modest locations such as Hammersmith. Its development is, nevertheless, supply-led, which means that it has to sell itself.

While the LDDC and the Department of Transport scramble to put the infrastructure in place, therefore, they must also make sure that public perception of the problem does not give the dog an irreparable bad name.

They have their work cut out. The Isle of Dogs is shaped like a potato sack with the River Thames on three sides. The only way in and out is through the top, apart from a riverbus currently carrying 62 passengers every 15 minutes.

Existing road access is principally by the A13, a main commuter route from south Essex and, at that point, for Kent traffic using the Blackwall Tunnel. Heavy rush hour con-



The quickest way out at the moment, but roads are on the way

gestion results in "rat running" through Poplar at the northern end of the island. Unwelcome through-traffic forms 30 per cent of movements in the LDDC area.

But, as Blythe points out, congestion in London will not go

away and Docklands certainly does not have a monopoly. Docklands' particular problems spring mainly from this three or four year period of new construction.

Michael Portillo, Minister for Public Transport, recently compared Docklands to the "house of a DIY fanatic who is rewiring, replumbing and re-carpeting the existing structure, at the same time as converting the attic into a studio and adding a granny flat over the garage, coinciding with his

new roads. The roads are on their way, however. The Poplar bypass on the northern fringe of the Isle of Dogs and a new crossing of the River Lea to the north east, scheduled for 1991, should provide a relatively unimpeded route eastwards to Royal Docks and the adjacent new East London River Crossing due to open in 1993. They will also plug Docklands straight into the motorway network by way of the already open South Woodford to Barking Relief Road.

The more critical stretch between Docklands and the City comprises the dual carriageway cut-and-cover Limehouse Link, due in 1993. It should carry 3,200 vehicles per hour running parallel to a maximum 1950 vehicles per hour on the City end of the A13. Congestion, undoubtedly, will not go away but Docklands' road access from outside London will then be as good as that for any comparable location within the conurbation.

Improvements to public transport, meanwhile, currently centre on the upgrading of the Docklands Light Rail-

Continued on next page

THE TOWER of Canary Wharf will climb over the horizon by the end of the year, making Olympia & York a visible as well as a felt presence. The tower at 600 feet, or 150 feet higher than the National Westminster tower in the City of London, will be as apt a symbol as any of O&Y's spreading influence.

O&Y - Canadian, private to the point of being secretive and run by the Reichmann brothers - brought Canary

OLYMPIA & YORK

Spreading influence

Wharf alive in 1987 when the previous developers were unable to put together a financial package to carry the project beyond the planning stage.

Canary Wharf, with its planned 10m sq ft of offices,

500,000sq ft of retail space, 400-bedroom hotel and 65,000-space carpark, is the biggest single project O&Y has undertaken. It will add significantly to a portfolio which already contains 50m sq ft of office space in

North America, around half of which is in New York.

But O&Y has not stopped there. Through joint ventures, it has a direct interest in three other significant Docklands projects: retailing at Port East, residential at Heron Quay and mixed at the Surrey Docks.

Because the company holds one third of the equity in Stanhope Properties, it is indirectly involved in other Docklands ventures, not least the redevelopment of a large section of the Royal Docks, further to the east than Canary Wharf on the Isle of Dogs.

In short, the group is engaged in an attempt to establish a new community, the centrepiece of which is Canary Wharf, the largest development of its type in Europe. It is seeking to establish a new London commercial district alongside the traditional City and West End. In a way, one thing has led to another.

Because Canary Wharf is so large and will provide workspace for so many people, O&Y has been forced to use its influence and money to devise means of transport to link the Isle of Dogs with the world outside. Hence its financial support for an extension of the Docklands Light Railway, at least to the Bank in the City of London. Hence its pursuit of new rail links which would tie the Isle of Dogs into the existing London commuter network. Hence its concern about the woeful road connections in East London. Hence its work on the formation of a private-public consortium to bail out Thames Line, the ailing river transport business.

But just as Canary Wharf is designed as a number of linked pieces - the offices give an opportunity for shops, the companies in the offices need a nearby hotel - so O&Y has applied the same principle to its other interests in Docklands.

The retail at Port East fits into the development of the Isle of Dogs as a whole. It was

natural to become involved in residential projects for homes for potential Canary Wharf company employees.

This suggests a degree of preplanning at O&Y about its role in Docklands. But, in fact, the O&Y expansion has been essentially opportunistic. It has taken the developments as they have been offered; it has not been out in the market looking for acquisitions. The main reason is that, even though its staff has climbed to around 140, it does not have the personnel.

None the less, the group is undoubtedly the most powerful single commercial presence in Docklands and, as such, probably has an influence with Government that is denied to most British companies. This comes about not just because of the size of its project but because of its huge financial resources.

Nobody knows exactly how wealthy the group is. But it is wealthy enough for the Government to have given a sigh of relief when it came along and negotiated the terms for taking on Canary Wharf. And it is wealthy enough to carry the front-end risk for much longer than would be acceptable to a British developer.

So far, all the funds for what is ultimately a £3bn project have come from O&Y's own resources in North America. Its style is to secure finance only when an income is assured or when the project has taken visible shape.

When O&Y arranges finance it tends to favour borrowers from a consortium of banks on a relatively short term at a floating rate that can later, if necessary, be turned into fixed money through swaps.

This style will probably be adopted at Canary Wharf, although there are two factors peculiar to the British market which may result in modification of the usual technique. The first is the existence of the Isle of Dogs enterprise zone, which gives 100 per cent capital allowances on construction started before 1992. The second is the interest of the London financial institutions in providing long-term, fixed-interest finance.

Paul Cheeseright



Canary Wharf: a symbol in the making

RESIDENTIAL MARKET

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THE TRAGICOMIC fact is that the most violent critics, and the most unreserved enthusiasts for Docklands' housing, have never been there.

On the one hand, tales of million pound waterside apartments blocking the river from some of the poorest public housing in western Europe provide ample fuel for righteous indignation about the insens-

itivity of uncontrolled market forces. On the other, hopes of cashing in on the satellite launcher trajectory of property values in Docklands in the early 1990s have drawn speculative investors from around the globe into residential schemes from Wapping to Shad Thames, from Limehouse to the Isle of Dogs.

Comparatively few of the

critics, and a surprisingly limited number of the speculators, have looked beyond the headlines and the promotional brochures to see what really has been happening to an area that represents the largest single source of new housing within London.

Just as distance breeds extremes, so any closer look at

Continued on next page

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LONDON DOCKLANDS PROPERTY 5

OFFICE PROPERTY
Short-term over-supply

Continued from previous page
way which opened in 1987 but was by then already overtaken by events. Its present maximum capacity between Tower Hill and the Isle of Dogs is clearly now insufficient. Work is in hand on station enlargement to take longer trains and an extension from the western terminus at Tower Hill into Bank underground station is under construction, a first tunnel opening next year and a second a year later. Its final maximum capacity could be 15,000 passenger per hour.

But some simple arithmetic suggests that even more will be needed. If 100,000 people are to work in the Isle of Dogs (a conservative estimate for 250 sq ft) the DLR's 15,000 per hour to Bank station, 7,800 eastwards to the Royal Docks and whatever capacity a new crossing to Greenwich might have, implies that a majority of workers will have to travel by road.

That goes back to the question of traffic (which affects buses, bus lanes notwithstanding) and also to parking. The parking code has so far been aimed at accommodating only

20 per cent of the workforce, and although a new parking policy will be produced later this year, there are limits to what can be done.

All eyes, therefore, look to some form of mass transit system, which, effectively, means a new underground line — an idea which has been heavily promoted by Olympia & York. It is also one of a number of measures currently under consideration by the East London Rail Study, which will be reported to the Minister within the next two months.

There are two or three possible options but the favourite is a "Canarywharf" connection between Waterloo and Greenwich via Canary Wharf.

The minister has returned government support for the idea and subject to the findings of the Rail Study, it seems likely that a bill will be presented to parliament towards the end of the year. Once the market knows that the idea is definitely a starter, its potential capacity of 1,500 passengers per train should put a different complexion on matters.

John Worrall

THERE IS a degree of grinning and bearing it in the Docklands office market at the moment. The grinning reaction which greeted Canary Wharf's entry onto the scene has turned to circumspection, prompted by the stock market crash, economic slowdowns and increasingly obvious infrastructure problems.

But with upwards of 20m sq ft promised by the mid-1990s, and with talk of massive developments at Kings Cross and of prospective over-supply in the City, this is no time for the faint hearted.

It is probably fortunate for all concerned, then, that faint heartedness is not usually associated with Olympia & York, developer of Canary Wharf. Leading Docklands from the front, the company is now bringing the 5m sq ft first phase of its 12.5m sq ft scheme out of the ground. Credit Suisse and Morgan Stanley were each signed for a 600,000sq ft headquarters building more than two years ago, but in March Merrill Lynch committed itself to take 240,000sq ft and that was a leading market needed to see. The accepted wisdom is that if

Canary Wharf takes proper root, then the whole of the Isle of Dogs office sector will grow with it.

The power and persuasiveness of O&Y leadership in pulling in major tenants and getting infrastructure in place is thus central to the psychology of Docklands, lest chicken and egg reasoning takes over: tenants want to be sure that Docklands will succeed before they commit themselves but it won't unless they do.

But the next 12 months will still test a few nerves. According to Gerry Silk of Jones Lang Wootton, joint letting agents on Canary Wharf with Debenham Tewson and Chinnocks, 1.7m sq ft of space is due to come on stream before any of the Canary Wharf buildings are complete and, on the face of it, over-supply, at least in the short term, seems to be a certainty. Silk says that rents can be expected to stay where they are at £20 per sq ft for the next 18 months as a consequence. It could be a trying time, although in mitigation, he says that tenants prefer a choice — tenants they will certainly find higher quality buildings in Docklands than in

the City or West End, at hugely discounted overheads.

Ezra Nahome of Grant & Partners agrees. His firm is joint agent with Debenham Tewson and Chinnocks on Phase 3 of South Quay Plaza, the 241,000sq ft scheme by Marples International. He says that cost is the most compelling reason for potential tenants looking east, to the extent that Docklands has in a sense become a company hospital.

"Many financial sector operations are currently running at a loss and so they have three choices: cut staff, cut salaries or cut costs. Docklands allows them the latter option, which is always preferable." He points out that Docklands has very nearly the lowest rents inside the M25, but says

that tax savings are still a big factor in the market — something which, perhaps, is to be expected, when the Enterprise Zone is the principal reason for the Isle of Dogs getting onto the map.

Mr Nahome's busiest time since arriving there was in the financial year ended in March, during which his firm sold £35m of tax shelter.

Nick Tomlinson of Knight Frank Rutley also cites cost saving as the biggest motivation of Docklands space takers. He is letting Harbour Exchange, a scheme of a million square feet in all, of which Phase 1, developed by the Charter Group, accounts for about a quarter of the total. Of that phase, 90 per cent has now been let, much of it in the first

three months of this year, with space being taken by Nomura, British Telecom, Pershing Keen (part of New York broker Donaldson Lufkin), Guardian Royal Exchange, and Maersk, the Danish shipping company. Citicorp Insurance Brokers took 60,000sq ft, although they then amalgamated with Nelson Hurst Marsh and therefore sublet for three years to Olympia & York's Canary Wharf project team.

Tomlinson, like most others passing opinion, agrees that much depends on Canary Wharf. "If enough space is committed there, the impetus will encourage others," he says. Nevertheless he acknowledges the two other fundamentals which must fall into place: the road system, which, even to improve access onto the Isle of Dogs is still two years or more from completion; and the rail links.

This comes back to the fact that the Docklands office market is currently having to sell itself largely on trust. It is still a building site and, to an extent, an unproven and off-centre location which makes the visibility of efforts to improve infrastructure a very

necessary part of the marketing. Another major problem for all involved, however, is the continuing lack of familiarity with Docklands among decision-makers.

That might soon begin to change. It has become a cliché, but is nevertheless true, that towards the end of this year the main tower of Canary Wharf will start to climb over the City's eastern horizon and turn a few heads. Then it may begin to dawn on people how close Docklands is to the City.

John Worrall

Continued from previous page
the capital's six mile-long building site reinforces the compelling fact there is no single Docklands market. The garden suburb emerging in Beckton, at the far eastern edge of the LDDC's lands, bears a little resemblance to the converted Thameside warehouse and striking new buildings of Jacob's Island on the South Bank as the semis of Stanmore do to the terraces of Regent's Park.

Confusion about Docklands housing is an understandable result of the timescale of change. Looked at as a whole, in the space of eight years the private housing market in Docklands has been created from a virtual standing start, it has out-boomed west central London and, just as sharply, hiccupped to a halt, having been unnerved by the stock market crash of October 1987.

The fact that the equity markets storm did have such an effect on confidence, while it took a further year and a surge in interest rates to dent the pace of activity in the rest of the housing market in London, underlines the point that many actual or would-be buyers are just as unclear about the true nature of Docklands' mixture of housing markets as the outsiders.

It has been assumed that most private buyers are City working singles or couples without children whose prime barometer of confidence is the volume of City markets' turnover. As a result, prospective buyers in 1986 were evidently nervous about committing themselves to a purchase where the opportunities for resale could be in doubt. This was especially at a time when most of the first phases of residential developments in the western end of the docks are moving towards completion and any resales would be in competition with first-time marketing of an average supply of 60 new flats and houses each week.

Since then, buyers have been further deterred by higher interest rates and by the wider choice of homes in west London at prices down from last

summer's peak. Adding October 1987's nerves to autumn 1986's interest rate movements leaves developers and Docklands agencies reporting far fewer viewings and regular, unacceptable scavenger offers pitched at a speculative 20 to 25 per cent below the asking price. This is a real, but short-lived, problem.

Looking at private flat buyers' assumptions about the nature of the market, it would be surprising if it were not the case that demand has been led, thus far, by City-working singles. Residential building has run ahead of the commercial developments aimed at creating more jobs into the area, and so, as Knight Frank & Rutley's recent ownership research confirms, six in ten

in the area over the next decade or so should be no real damper on future values. The first of these goes straight back to the different residential markets that are emerging within Docklands, markets that are distinctive enough to defy generalisations.

Wapping and Limehouse are already coming to be accepted as central, albeit still "fringe-central", London addresses. Nearly half the total housing site capacity in both areas has now been built out and, as the last sites fill and the builders make way for the currently missing shops and restaurants, values are more likely to parallel those in other central London markets than any generalised figures for Docklands as a whole.

If Wapping, Limehouse and Shad Thames are set to be the Chelsea and Mayfair of the area, Rotherhithe and the Surrey Docks developments would accord more with the markets of Hammersmith and Fulham. The southern curve of the river down to the former Surrey Docks includes a high proportion of what, for inner London, are comparatively low-cost homes. Long-term values there are likely to be directly related to improvements in transport.

Over the river on the Isle of Dogs many of the residential developments that would have been competing for buyers over the next year to 18 months have been either slowed or postponed in response to the sluggish state of the market. As a vast office development site, the island's residential future leans heavily upon providing homes near work for the influx of office staff forecast over the next two to five years.

On completion, the offices in Canary Wharf alone could bring over 30,000 jobs to the island, and even if only half of the 24m sq feet of offices in the development pipeline are actually completed and filled, the 10,000 to 12,000 possible new homes there would scarcely match the prospective demand.

There are no real western parallels with the housing stock of the Isle of Dogs. Perhaps the nearest equivalent for



Anyone hoping for the kind of value surges commonplace a couple of years back will hope in vain

the apartment blocks built or planned on the island would be with the City's Barbican, although here they would be Barbicans with a view.

Just as that is a medium to long-term bet in terms of housing values, so the Royal Docks are a housing market for the mid-1990s. Development work is only just starting in the Roy-

als on a regional shopping centre, the Londondrome sports exhibition centre and some 5m sq feet of business space. By the time that is well progressed, and the first phases of an eventual 7-8,000 new homes start to come onto the market, the East London River Crossing will be nearing completion (current target dates suggest

1993-94) and the Docklands Light Railway should have been extended through the Royal Docks to Beckton and into the rail system beyond.

Each of these individual residential markets does, therefore, have its own strengths and weaknesses, quite apart from any broader argument about the volume of housing

completions in Docklands' swamping the London market. That theory is given a frequent airing, and it is used as reason for questioning whether a sufficient number of homebuyers can be found to keep pace with the supply of Docklands homes. But one look at the capital's untapped housing sites gives the lie to that

thought.

Banque Paribas Capital Markets' estimate of land supply for housing in the central London boroughs, based on the boroughs' own surveys, identifies just 150 acres of land immediately suitable for housing in the combined areas of Camden, Hammersmith and Fulham, Kensington and Chelsea, Westminster and Wandsworth. The comparable figure for the LDDC was 930 acres, making it far and away the most important source of new homes in the capital.

As the supply of former rental flat blocks for re-occupation and resale is near exhausted, and as inner London boroughs have begun to resist further sub-division of existing family homes into smaller flats, and more commonly refuse conversions that will lead to even more on-street parking problems, it is becoming harder and more expensive to add to London's housing stock. Looked at in those terms, provision for 24,000 to 30,000 new flats and houses in Docklands over the next 10 years represents an addition of only 0.4 per cent to the existing total of inner London households.

It would be difficult to conjure the spectre of a housing glut from those figures, or to see any reason why sales activity in Docklands' residential markets should lag behind the rest of London as it revives from its long winter doze.

John Brennan

The area is the largest single source of new housing within London

Docklands buyers (seven in ten in Wapping) do work in the City or West End.

Equally, apart from the affordable housing aimed at existing local residents, much of the initial residential conversion and new building has taken place on or near the waterfront providing flats of a size and a price that pre-selects its potential market, and which does so with a clear eye on higher earning people without children.

But to see this as evidence of a failure of confidence in Docklands housing as a whole is akin to judging Van Gough's Sunflowers on the basis of his first charcoal sketches. With a further 3,000 completions due this year, and a fair number of last year's 2,300 completions still available, 1987 is unlikely to be anything other than a quiet, hard negotiated year for sales. And anyone hoping for the kind of value surges commonplace a couple of years back will hope in vain.

Beyond that, however, there are a number of reasons why even a prospective supply of more than 24,000 extra homes

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ARTS

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 12 | 13 | 14 | 15 | 16 | 17 | 18

THEATRE

London

Hamlet (Olivier). This picturesque Renaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. Judi Dench is a muted Gertrude. Michael Bryant a superbly busy and dangerous Polonius. May 16-18. May 23-June 1 (1928 2322).

The Black Prince (Aldwych). Ian McDiarmid gives us performance of a lifetime in his Hamlet's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (336 8404).

Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobe's Israeli play about the last days of the Vilna ghetto and its resident theatre company. May 12-15, 22, 24 (828 2322).

The March on Russia (Lyttelton). The old Royal Court firm of director Lindsay Anderson, designer Jocelyn Herbert and writer David Storey combine to good effect at the National on a new family visitation of the past. May 12-13 (629 2033).

King John (The Pit). Deborah Warner's RSC revival reveals a near-masterpiece, hitherto ignored. Worth queuing for, even at the Barbican. May 20, 27-29 (638 8981).

The Tempest (Barbican). Magistral RSC revival directed by Hytner, with John Wood returning in triumph as the most complete Prospero of our age. Refreshingly unlike mainstream RSC work of late. May 15-27 (638 8981).

Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Kent in the royal picture gallery. (734 1156).

M. Butterfly (Stablesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaf-

fer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. (379 5359).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (830 2978, cc 839 1438).

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2329).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reprisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. (379 6107, cc 741 8989).

Wenceslaw (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of a man and woman in a marriage. (536 9987, cc 741 9399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest intimate chamber opera derived from David Garrick's 1785 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns proves the right sense of sybaritic insouciance. A probable, but unimpressive, but (839 8972).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (229 8200).

We and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (497 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (497 0033).

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New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential ambitions in the 1960s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes transcendent bit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Chicago

Speed of Darkness (Goodman). The world premiere of Steve Pech's domestic drama involves the reunion of Vietnam veterans and the havoc it wreaks on a successful South Dakota family. Ends May 20 (443 3800).

Driving Miss Daisy (Eggar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this version of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Opera and Ballet

London
Royal Opera, Covent Garden. The latest showing of the splendidly exotic Andrei Serban production of *Thaïs* is conducted by Stephen Barlow. With Raina Kabaivanska and Alberto Cupido (46.17.53).

English National Opera, Coliseum. Elisha Moshinsky's quirky production of *The Messengers* returns with its original conductor (Mark Elder), Hans Sachs (Gwynne Howell) and Beckmesser (Alan Opletz); the cast also includes Alberto Remedios and Jane Eaglen. Further performances of the new, unsatisfying Graham Vick production of *Eugene Onegin*, with Jonathan Summers and Susan Bullock; and *Don Giovanni* in Jonathan dark, handsome staging, with Steven Page in the title role.

Paris
Châtelet. Francois Poulenc's *La Voix Humaine*, a one-act lyrical monologue by Jean Cocteau. Ensemble Châtelet de Paris, conducted by Serge Baudo in a new production by Alain Francon, the woman represented by Gwyneth Jones (40282326).

MUSIC
London
Royal Philharmonic Orchestra, conducted by Andrew Litton, with Heinz Holliger (oboe), Weber, Mozart, Rachmaninov, Barbirolli (Fri, Sat, Tue) (688 8981).

Hallé Orchestra conducted by Stanislaw Skrowaczewski. Webern, Prokofiev, Tchaikovsky. Royal Festival Hall (Sat) (928 8980).

London Symphony Orchestra, conducted by Nicholas Cleobury, with Pers Lane, piano, Rossini, Mozart, Grieg, Beethoven. Barbican Hall (Sun) (638 8981).

Paris
Mare Lefort (piano). Chopin. (Tue) Salle Gaveau (45632430).

Raina Kabaivanska (soprano), with Peter Koller (tenor), Marie Boyer (alto) and members of the Radio France Choir. Janacek (Wed) Radio France Studio 106 (42301516).

Cologne
Orchestra of the 18th Century conducted by Frans Brüggen with works by Jean-Philippe Rameau, Beethoven. Philharmonie (Thurs).

Schweizingen Festival
Schweizingen Rocco Theatre presents a festival from April 29 to June 9 with a mixed programme of opera, chamber music and theatre. The Cologne Opera is replaced by two Rostropovich operas in Michael Hampe's productions. Berlin commemorates the 125th anniversary of Richard Strauss' birthday with *Arctique* and *Die Meistersinger* by Richard Fischer. Other highlights are *Lieder recitativo* by Lucia Popp, Rena Kallio, Eva Lind, Francisco

Rome

Teatro Dell'Opera. Mauro Bojari's production of Francesco Cilea's *Adriano Lecocquer*, with Raina Kabaivanska and Alberto Cupido (46.17.53).

Venice
Teatro La Fenice. Wagner's *Parsifal*, conducted by Giuseppe Sinopoli, with the choir of the Warsaw Philharmonic and the Piccoli Cantori Veneziani. (8210161).

Berlin
Opera Theater des Westens. Leonard Bernstein's opera *Camelot*, produced by John Dew will have its premiere this week. The cast includes Jane Grier, Iris Vershinina, Patricia Johnson, Wolfgang Trautwein and Donald George. Così fan Tutte in Götze Friedrich's production features Peter Schreier, Marina Ciornila, Carol Malone, Alan Titus and Gerald Feldhoff. *Egiphto* has fine interpretations by Angela Denning (soprano), Edgar Wizel in the title role and Victor von Haem (Sparafucile).

Cologne
Opera. Cologne honours the great producer Jean-Pierre Ponnelle, who died last year, by re-

taging the complete Mozart cycle of seven operas, all produced by him. This week's performance includes *Don Giovanni* with Ferruccio Furlanetto in the title role, and Ulrich Heilscher. *Egiphto* has a new cast led by Benito di Bella, Janice Hall and Juan Llovera. *Die Meistersinger* rounds off the week.

Frankfurt
Opera. *Fire* will have its premiere, danced to choreography by Laura Dean. William Forsythe. Ballet L'Arche. Amadeo Miller and to music by Laura Dean, Jean-Jacques Falick and Tom Williams. *La Bohème* returns with a star cast led by Fiamma Izzo (Amico), Keith Olsen (Rodolfo).

Munich
Opera. *Egiphto* has a first rate cast led by Sabine Hass, Julie Kaufmann, James King and Claes H. Amnjoeg. *Madama Butterfly* is sung by Sisko Kanamori, Gudrun Wegewitz and Eduardo Villa. *Tosca* features Natalia Troitskaya, Peter Dvorsky, Silvano Caroli.

Bonn
Opera. *Rhapsodie/Thesus* and *Ros-Marie* conducting. Haydn, Mozart, Hindemith (Fri).

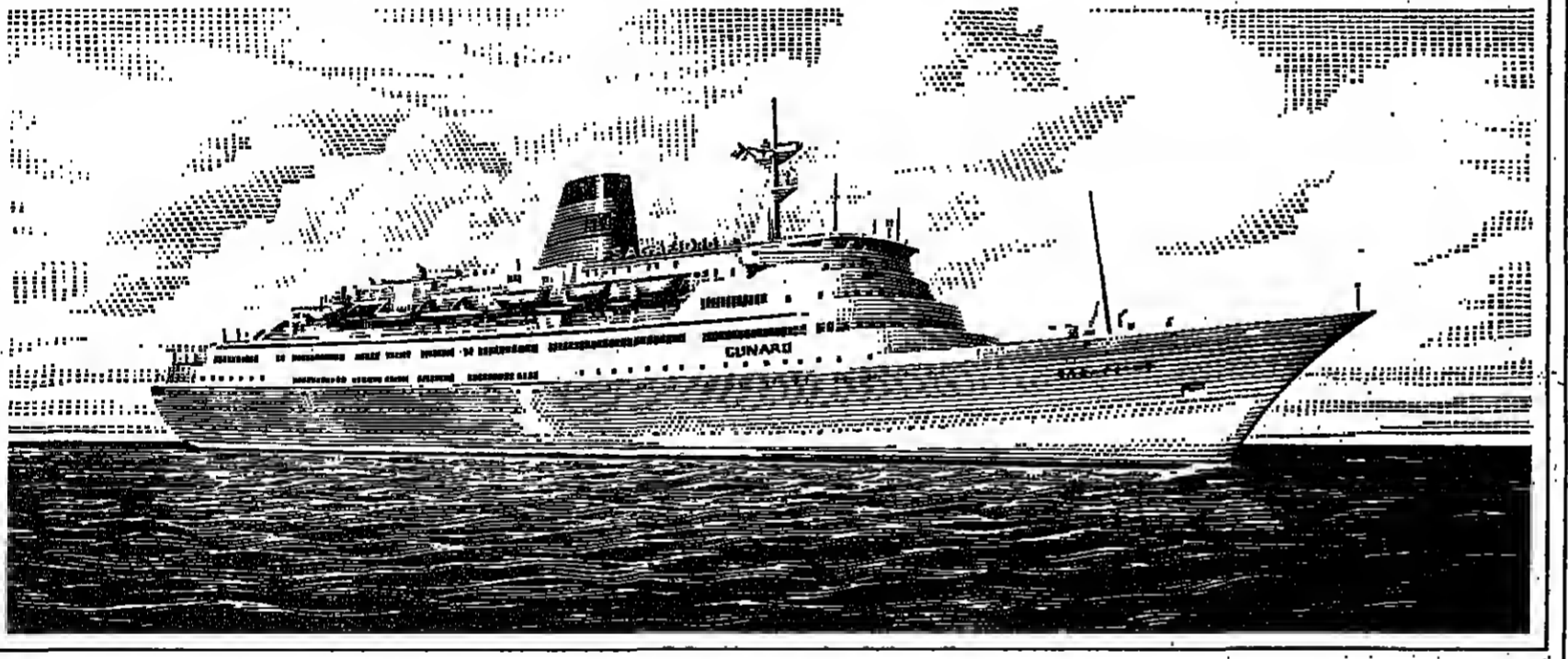
Amsterdam
Musiktheater Nederlands Dance Theatre celebrates its 30th anniversary with *Symphony in D* (Kyllan/Heard), a new creation by Alan Tanen's new ballet. *Black Cake* (Fri, Sat, Sun). *Netherlands Opera production of Simone Boccanegra* by Verdi directed by Stephen Wadsworth. The Netherlands Philharmonic conducted by Graeme Jenkins, with Henk Smit in the title role and Charles Groves as Amelia (Sun, Tue) (265 455).

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New York
American Ballet Theatre. *Bum's Rush, Everlast and Quarett*, three works by Tyra Tharp created for the company and set to music by Dick Hyman, Jerome Kern and Terry Riley, highlight the second week, which also includes *Clark Yvonne's Break a Violin Concerto No. 1*. Classics revived in the week are *La Sylphide* and *Gaite Parisienne*. Lincoln Center Opera House (362 6000).

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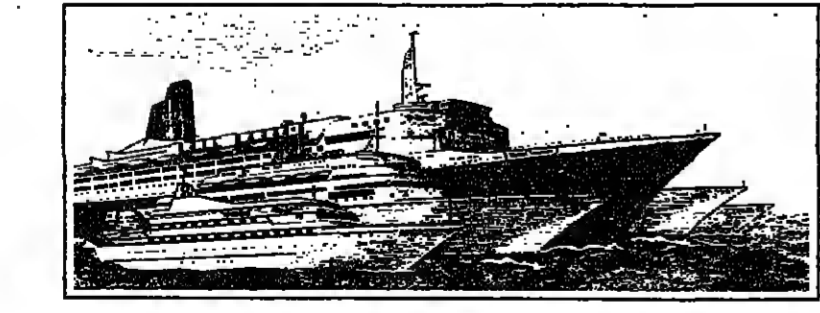
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EXHIBITIONS

London

The Royal Academy. The Royal Academy of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, beautifully presented. Trophies drawn from across the whole of Europe in the time of Sweden's abrupt emergence as a European power. Arms and armour, gold and silver, but most delightfully perhaps are the bric-a-brac, most of all the complete and heavily brocaded caparsons that might be taken straight from the great equestrian state portraits of Gustavus Adolphus until June 18; sponsored by Gamblestad.

Paris
Centre Musées et Monuments sold in museums and Metrostations enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace. Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole. Over a thousand paintings, sculptures, engravings, objets d'art and everyday objects lend 15 countries retrospectives of the revolutionary splendour of European courts and the aristocracy as opposed to the laborious life of the peasants. The fall of the Bastille, the symbol of the Revolution, is richly documented, as is the political influence of artists who, by representing the heroes of antiquity indirectly bestowed the Roman Republican virtues on an idealised contemporary reality. A visual representation of the Human Rights Declaration of 1791 is considered as the revolutionary iconography. The exhibition ends with images of the seizure of power and restoration of an authoritarian regime. Closed Tue. Late opening night Wed. Ends June 26 (4285410).

The Louvre. Les donateurs du Louvre. Aply, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. What would the Louvre be without Rembrandt's *Bathsheba*, Goya's *Marquis de Solano* or without the *Odalisques* in the Turkish Bath by Ingres? Without the Greco-Roman silverware from Boscotresville, the towering effigy of King Amenhotep IV or Gressant's 18th century *Commode with a Monkey*? Between the first gift - a 17th century Dutch genre scene *A Drunken Woman bestowing* by a young officer in 1736 and the last offering - *Saint Thomas* by Georges de la Tour purchased through a public subscription in 1988, 280 works chosen from among tens of thousands show the excellence and variety of donations which enriched the original royal collections. Even the Venus de Milo entered the Louvre as a gift, though she has not been reserved for the exhibition. 12am to 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid. Hall Napoleon. *Venez Amenez Musée Jacquemart-André.* Russian historical costumes. Lenin's *Hermitage Museum* has sent 30 exhibits from its treasure trove of historical costumes dating from 1700 to 1914. Richly embroidered court dresses, gold or red velvet or silver or silvery brocade vie with the gracefulness of French-inspired lines of a white mantle dress. There are uniforms, sacerdotal robes and servants' liveries. There is the exotic of peasants' colourful clothes. Some 50 portraits complete the exhibition; 18, Bild

Hausmann, 12 noon-6.30pm, ends May 31. Goethe Institut, Munich 1937 - 'I' Art Diffame, I' Art Acclame. Photographs, documents, reproductions and originals evoke the shock of the famous pre-war confrontation of two exhibitions opposing the avant-garde artists who have since become the great names of modern art, considered as degenerate, and traditional German painters, all clean limbs and moral values in a brutal exercise of Nazi propaganda. 17 Ave d'Alsace (726212). Closed Sat, Sun. Ends June 15.

Centre Georges Pompidou. Yves Saint-Laurent Fashion photographs. Yves since he launched the world of a young, modern woman, the great couturier has been helped in his enterprise by top professionals who translated into images the dreams of fashion and the seduction of cool, distant perfection. Ground floor, Galerie du Forum; closed Tues. Ends May 22 (4271233).

Musée des Arts Décoratifs. The intimacies of Alexander Calder. Some 800 works, most of them gifts to family and friends and, as such, exhibited for the first time, show the inventiveness and sense of humour of the sculptor. This wire catches the likeness of a friend, while a miniature circus is created from wire and pieces in a riot of playfulness. Ends May 21. Closed Mon and Tue (4380214).

Amsterdam
Stedelijk Museum. The first major retrospective of the work of Kasimir Malevich combines loans from leading Soviet galleries with the famous holdings of the host museum. Ends May 28.

Van Gogh Museum. Prints, drawings and gouaches illuminate the work of a Dutchman who banded together under the name Les Nabis. Ends May 28.

Maastricht, Bonnefanten Museum. The finest of the early Italian paintings in Dutch collections have been gathered together in a show containing works by Donatello, Guido da Siena, Filippo Lippi, Bellini and Carlo Crivelli. Ends July 9.

The Hague
Museum. The World of Aime Frank sets Aime's life in the context of his time with more than 500 photographs and a video show. Ends May 28.

Brussels
Palais des Beaux-Arts. Art Deco in Europe. Tues-Sat, closed Mon. Ends May 28.

Archives Générales du Royaume. *Witches in the Netherlands, 16-17 centuries* (closed Monday).

De Jonghekeren. Exhibition of works by Alexander Brueghel, Magritte and Spilliaert. Ends May 27 (612 9948).

Galerie Olympe. *Heritage of the French Revolution 1789-1814.* Daily, ends June 11.

Frankfurt
'Je Suis le Cahier', the sketch-books of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour. Ends May 28.

Schirn Kunsthalle und Kunstverein. Am Romaner Prospekt 29. Peter Weiermar director of Frankfurt's art association has again chosen a wide variety of artists with around 80 painters and sculptors from 15 different countries for this year's Prospect 88. The gallery of the Schirn Museum, 29 Romaner Prospekt, offers the opportunity to follow the artist's creative development. Among

the artists are Thomas Grenfeld, Heinrich Dunst, Peter Haley and well known Robert Mangold, Donald Judd, Ellsworth Kelly. This exhibition also includes some performance art based on the ideas of the artist Richard Artschwager. Kunstverein presents works with special themes with pictures by Francesco Clemente, Leon Golub, Franz Wanner and Mike Kelley. Scott Burton shows two stone seals, Ian Hamilton Finlay with 12 heavy stones under the title of "The present order is the disorder of the future" and Barbara Kruger is the exception with her photographs and picture text montages. Ends May 21.

Berlin
Fritz Koenig. 35 sculptures worked in iron, 70 script pictures and 80 drawings by the German artist Fritz Koenig, born in 1924 are exhibited until May 14. Akademie der Künste, Hansatenweg 10.

Willy Baummeister (1889-1950). To commemorate the 100th anniversary of the German abstract artist's birth there are 140 works from all periods of his working life to be seen until May 28. Nationalgalerie, Potsdamer Strasse 50.

Cologne
Bilderstreit. Rheinthal der Klara Messe, Messelgalerie. Deutscher Kunstverlag Johannes Gutschang and Siegfried Gohr present "contradictions and contrasts as the essential source for the debate about contemporary art." This exhibition is in contrast to avantgarde: it explains areas of action and attempts to provide an unprejudiced view of the current art scene. Approximately 1,000 works by 130 artists concentrate on art since 1960. The show should give a detailed view of different art styles, with "old classics" of the 19th century and works by contemporary artists. Among them are Gilbert and George, Kasimir Malevich, Edvard Munch, Carl Andre, Edward Munch, Johannes Theobald, photographers Bernd and Hilla Becher, Joseph Beuys and Dadaism. *Unter Marcol Duchamp.* John Baldessari and George Basile. There are also works from William Copley's collection by Duchamp, Man Ray, Max Ernst and Rene Magritte. Ends July 2.

Vienna
Secession. Exhibitions by Johann Jascha, an Austrian artist and Cindy Sherman, the American photo artist. Both until May 28. The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 13, the Kunstmuseum, a new gallery run by the state-run Leandereck, makes its debut with the Leopold collection, a Viennese who bought several paintings by Egon Schiele, one of the leading lights of Vienna's fin-de-siècle. For next to nothing in the 1950s. There are some works and Klimt sketches and Kokoschka's well thought catches. Ends June.

Rome
Accademia di Spagna. The Miró of Miró. More than 100 works by Joan Miró, including cartoons, drawings and watercolours and oils, which had been kept in the artist's studio in Mallorca until his death in 1983. Until June 4.

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains, from pop-art to everything, from pop-art to everything, the best-known works of Warhol. Continued on Page 17



ARTS

Doctor Faustus

SWAN THEATRE, STRATFORD-UPON-AVON

The Royal Shakespeare Company can hardly be blamed for returning yet again to Marlowe's spiritual tragedy, but it is indicative of the current artistic disarray that Barry Kyle's revival is a timid convocation of outmoded experimental clichés wrapped up in the limiting Christian paraphernalia of a ceremonial Mass.

Again, the design goes against the grain of the galleried architecture. The doctor's study is a semi-cylindrical grey cell inserted in the glistening timber, with a staircase and a steely arc-like ladder to the stars. At least Ashley Martin-Davis is trying to envisage an intersection between the medieval and Renaissance worlds. But what goes on in the performance smacks of drama class exercises and ghostly fringe grope-ins of two decades ago.

Faustus's fellow students, an all-male body with half-nude bodies, are a writhing mass of angels and devils, spirits and acolytes. They officiate cross-legged at the systematic rejection of the conventional sciences and disciplines, donning red satin cloaks for a prancing floor show and forming a mobile machine for the Seven Deadly Sins.

Pride pops up like a prow on a ship. Wrath hisses and jumps on the spot. Envy stands aside

from a group of happy hummers. Gluttony rolls around like a drunken tar at the head of a stomping human snake and speaks in a bad French accent. When Helen of Troy appears to suck forth Faustus's soul, she is a bloke, and a very manly bloke, too.

I recall a production by Christopher Fettes that owed a great deal to Lindsay Kemp and dabbled with a homo-erotic reading of the text. It worked very well. But here, Kyle's RSC chaps remain RSC chaps in a design vacuum.

Fettes' Faust was the youngish James Aubrey, and Gerard Murphy, another fine graduate of the Glasgow Citizens, is a good choice for the sensual expert. He brought a "wife" while Iona Sekora's mock ecclesiastical score provides a "Sanctus." He draws blood in the pact with the devil and collects it in a chalice. His offerory becomes a poisonous collect. Blasphemous communion results in everlasting death. When the clock strikes, he ascends to the heavens but falls down a hatch to hell in a cruciform cage.

I applaud at least the director's attempt to match Marlowe's imagery of the over-reacher. But there is something continuously risible about this production. Its farcical gestures are trite and



Gerard Murphy, centre

unfunny in those impossible interludes at Rome and at the court of the Duke of Vanholt.

Only David Shaw-Parker's granite-faced Pope hits the right note of blithe discomfiture. This year's Puck, Richard McCabe, cannot slot Wagner into the overall scheme beyond

adopting a malevolent sneer. Also missing is a damned symbiosis between Faust and Mephistopheles. The cadaverous David Bradley plays the latter, and scores some fine points. Xavier Glancing comedy in his flat, expertly controlled delivery. But just as the

play meditates on the hurried demarcations between science and magic, so it must surely explode in a conflagration of yearning and temptation. This was not the case in Stratford on Wednesday night.

The general laceration of the lyric beauties of the verse, but Murphy's success in resenting his fate as the private dabbler who is suddenly in demand all over Europe.

Michael Coveney

1,000 Airplanes on the Roof

THEATRE ROYAL, GLASGOW

Commissioned, among others, by Berlin, Cultural City of Europe in 1988, this "science fiction music-drama" reached an eminent City of Culture on Wednesday for the rest of this week only, as part of Glasgow's Mayfest.

The piece is "realised" by David Henry Wang, author of *M. Butterfly*; minimalist — on this showing minimalist — composer Philip Glass; and designer/projectionist Jerome Sirlin. The latter is the hero of the hour, or rather 90 minutes. He contributes the occasional frisson to this hallucinatory monologue for a young man visited and taken away by beings from another world. It sounds, in all senses, like a pretty bad trip.

The Philip Glass Ensemble, seven musicians in black shirts and slacks, play on stage. A central ramp leads to a higher platform. Gausz and Sirlin give us a sea of faces, clouds, patterns, trees and foliage. The curtains draw back to reveal a series of receding arches, in the best toy theatre scenery tradition, that add a wonderful sense of depth to the photographed stage facades. They also look up the skyscrapers of the New York cityscape and surrealistically fragment and bend the individual objects projected.

The visual side ranges from the soaring perspective of a block projected from below to the kaleidoscope of shapes or evocation of textures, flinty, mottled or blistered, predominantly black and white, but with restrained use of colour. The piece itself is a melodrama — in the

original sense of words spoken over music. The hero, heroically played by Patrick O'Connell, a downtrodden employee of a copying shop, is a descendant of those madly fantasising clerks in Russian literature, but made uninteresting by American solemnity. On seeing a beehive, he reminisces, "the pain that followed seemed to relieve me of all my questions." After half-an-hour, he moves "outside time." After what is, to those of us less fortunate, 90 minutes, his extra-terrestrial travels have taught him to "understand why any one of us has the need to walk across the room." Me too.

Mr Glass, who in hard times has worked as a plumber, very competently, I believe, provides a familiar musical accompaniment: repetitive rhythmic phrases (he is not one to say something once when twice or 30 times will do), usually on keyboards, spasmodically overlaid by plaintive melodic themes (wind, synthesiser and soprano). The music is not unpleasant, merely shallow and forgettable.

The whole experience recalls much performance art, seen on a smaller scale at the ICA in London. The projections are good, though. This sterile and synthetic spectacle, originally performed in an aircraft hanger, is appropriately sponsored by the largest Trust House Forte hotel in Glasgow.

Martin Hoyle

Béjart extravaganza at the Grand Palais

Clement Crisp reviews '1789... Et Nous' in Paris as part of the bicentennial celebrations

Amid the bicentennial celebrations of the French Revolution, who better to cope with the big dance statement about 1789 than Maurice Béjart? Béjart is not afraid of anything: not the Revolution, not Beethoven symphonies, not the size of the Grand Palais, nor pollution, nor the third world, nor 50 Chinese on bicycles. Come one, come all, Béjart and his Lausanne Ballet will cram these into an extravaganza, like a man force-feeding a Strasbourg goose. The result is a preposterous and sprawling two-hours-without-an-interval show currently pulling in the Paris dance public to the Grand Palais, more usually the abode of exhibitions.

The performing space is magnificent, specially created beneath the central axis of the palace's roof. Temporary banks of seating for 4000 face the cavernous area formed by the curves of arches that rise from the double sweep of the *Escalier d'Hon-*

neur. Below, the huge stage; above, the domed glass of the roof, with evening performances beginning at 8.30, so that as the light fades, the wild and improbable activities of "1789... et Nous" can rush at us out of the dark.

The show — one can't call it anything else — is a typical Béjartian juggling of fact and fantasy, pretension and insight. The fascination for Béjart in drawing unflattering parallels between then and now, and, in what is a combination of tease and tract; showing the betrayal of the Revolution's ideals and the miserable decline in the human condition. Thus the references to the Third World, to Pollution, and the dedication of the evening to Robespierre — who features in a lustreously spoken impersonation by Jean Negrone. ("The Peoples of Europe know everything, except their Rights and their Duties.") Declaring that the history of the Revolution is for children, Béjart brings on a horde of those unloveliest

of God's creatures, infant performers, and involves them in a display of tricks and treats. Four incidents from 1789 mark the four sections of the evening, and Béjart being Béjart, movements from four Beethoven symphonies (numbers 1, 7, 8, and 9, of course), separate them, with the four elements, four continents, and Heaven knows what other examples of intellectual prestidigitator added in for good measure. This mixture of the banal (the dance element) and the boisterous, spills over the vast stage area but is controlled by Béjart's ebullient sense of theatre, and by brilliant lighting and flawless sound and mechanical effects.

We begin with pollution, dustbins and men in gasmasks, children's cries, and such figures from Béjartian mythology as his alter ego, Bin, a sprightly figure danced by Xavier Fera, and Jorge Donn ferociously winsome as a red-necked clown (Oh, for a Guillotine). Thereafter, the staging casts a wide and indiscriminate

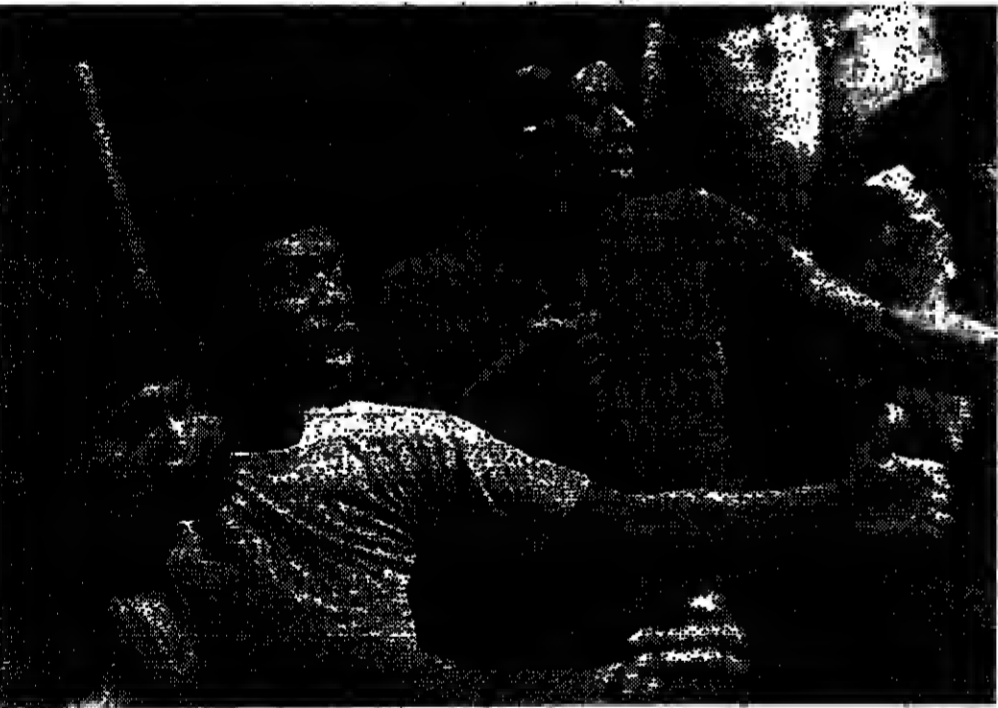
net. I can understand showing the arrival of Louis XVI and his Queen in Paris as tight-rope walkers — their historic return from Versailles no less precarious — and I accept the relevance of comments upon African slavery, and the wit of presenting the fine Cuban ballerina Lolita Araujo as a Guevara-style revolutionary. One might even acknowledge Béjart's right to bring in the Almighty Dollar by the swing of his neck, with attendant chorines and the strains of "We're in the money." But the fifty Chinese on bicycles? Charlie Chaplin? The Indian dancer? And the horse? (This last showed a latent critical faculty when I saw the piece by collapsing on stage rather than going through its routine).

"1789... et Nous" is, I suppose, irresistible in its bravado, and in its sardonic view of what the Revolution has meant — and not meant. Politics rarely makes good ballet — for all that the origins of our ballet lie in the

"political" entertainments of the Renaissance — and my chief reproach is that the dance in this entertainment is thin stuff. There are heavy-handed ensembles that rely upon good intentions rather than good invention, and solos harshly made and brashly danced. Amid the film-dam and spurious raptures of Béjartian style, one performance seemed to me to shine. The young dancer Corn Svalberg moved clean and precise, a classical artist amid a cohort of fakes.

The accompanying score, when not by Beethoven, is tastelessly by Hugues Le Bars. Costuming is by Michel Dussarat, who also performs as master of these ceremonies. And, whatever my despair at the dance, Béjart's ability to entertain and to involve us in his fantasies, makes for an evening that celebrates the Revolution with a wry humour and a good heart. And the Grand Palais setting is thrilling.

Claire Armitstead



The Manu Players

Township Boy

ICA THEATRE

The theatre that has poured from the South African townships in the last few years has been passionate, rhythmic and too often much of a muckness. The prominence of anti-apartheid feeling on the political agenda has guaranteed it a strong and sympathetic audience, but what is good for a cause is not always good for its proponents. There is a very real danger of this most distinctive and committed of theatres being constrained by its own popularity and finding itself proscribed by the limits of radical chic, using familiar forms and structures to repeat familiar slogans.

This joint production by the Manu Players and Johannesburg's Market Theatre shows signs of a tentative advance on both fronts. The cultural diversity of the company is underlined by a band which brings saxophone, guitars and flute into line with the familiar

drumming, stomping and singing of township theatre. Likewise, the archetypes of oppression — an arty, son, sorrowing mother and angry friends — are augmented by an Indian brought up by his father to fear "kaffirs" and a petty crook who narrowly escapes a necklance execution for stealing from the wrong place.

But while the play's author, John Moalosi Ladwaba, has the courage to refer to these representatives of interecine strife, he opts out of making them a focus of dramatic conflict. Both are "saved" by Shepherd, a poet revolutionary played by Ladwaba himself, whose funeral unfolds the show.

One senses a real inclination to break through to a new area of debate and expression and the first half promises well. A strong sense of comedy is interestingly focussed on the

women, drawing a fine double act from Pretty Nombhe Tokwe, as Shepherd's mother, and Fetunia Maboe, as his drunken aunt. The symbolic candle-flashed coffin gives a ritual resonance to the re-living of the dead man's life — from schoolboy romance to his murder, aged 22 — in the cortege of a friend's funeral.

But from the interval onwards, the development stops and the humour becomes a repetitive casing for an inevitable and formulaic trudge towards a hero's death. The story is based on the experience of a multi-racial mining community that was dismantled brick-by-brick, but there is little sense of place or of narrative. The music, choreography and style of performance are as exuberant and infectious as they ever were, but they need to move on.

Claire Armitstead

Caving In

SOHO POLY

With her husband doing time for "stupid fraud," 38-year-old Maggie finds herself sitting on a biological time-bomb. To procreate or not to procreate? That is the question that has driven her into the arms of a kindly but unexciting schoolteacher, where we find her at the start of Aysha Rafe's new play. Her love for the jailed Jack is never in question, but neither is the blinding compulsion of a childless woman.



Diane Bull

Both play and production start promisingly enough, with prison visits imaginatively entwined by director Claire Grove with scenes of domestic disharmony, as Diane Bull's touchingly tearful Maggie dithers over making her choice.

The introduction of an older prisoner's wife (the excellent Mona Bruce) sets her dilemma in its social context, and one notes the programme reference to the Prisoners' Wives and Families Society.

Rafe has a good ear for dialogue, and her characters are solid and well-rounded, but she does not seem to know what to do with them, other than to engage them in increasingly anguished conversations.

Her play signally lacks any dramatic development. The only bit of plotting that is worked through on stage is Dave's discovery of a home-pregnancy tester, which alerts him to the facts of life. But even this does not turn the play around, since Dave is too nice to put his foot down. It

merely confirms Maggie's progress towards a decision, which is belatedly and clumsily aborted by the revelation that she is infertile.

Her present agonies, we discover, are the tip of an iceberg that goes back to years of trying to conceive with Jack (so the chronology of their efforts does not ring true).

Bull and Phillip Joseph work well together as husband and wife helplessly watching themselves being driven apart. Joseph is particularly good as a man on a knife-edge of desperation whose eyes glister with a wildness that is only momentarily allowed to break out.

These are the sort of close-up performances that — like the play itself — would quite simply have been better suited to television.

Claire Armitstead

ARTS GUIDE

May 12-18

Continued from Page 16

Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Rind, Morris) to conceptual art and *Arte povera*, with works by Gilbert and George, Facchini, Manz, Placido and Koonellis, ending with some curious examples of German neo-expressionism. Ends Oct 2.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than

40 works, among which are delights such as Courbet's sea-scapes, Seurat's "La grande jetée", and Renoir's "Madame Monet and Son". Ends Sept 4.

Palazzo Grassi, Italian Art, 1900-1945. A much-amplified exhibition covering a brief period than did the recent show at the Royal Academy in London, organised again by German Calant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends

with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

Turin

Mole Antonelliana. Carlo Molino (1905-1973). His home town pays homage to this eclectic and eclectic architect and designer, much influenced by surrealists such as Cocteau and Man Ray, who waged a constant battle in the 1940s and 1950s against the reducing of modern design to empty conventionalism. On show are drawings, photographs, letters, and scale models of architectural projects, left by the artist to the city, as well as furniture and objects lent by private collectors. The exhibition transfers to the Beaubourg at the end of June. Ends June 11.

New York

Whitney Museum. The 65th in a long series of Annuals and Biennales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.

Metropolitan Museum of Art. *Coyas and the Spirit of Enlightenment* explores 160 of the artist's works in relation to his impact on contemporaries and the rationalist modernisation of Spain. Ends July 16.

Washington

National Gallery. More than 180 objects from the Fitzwilliam Museum in Cambridge include paintings by Titian, Guercino, Rubens, Van Dyck and William Blake. In addition illuminated

manuscripts, ceramics and bronzes show off a collection that is considered "perhaps Britain's pre-eminent museum." Ends June 18.

Tokyo

National Museum. Screen Paintings of the Muromachi Period (1394-1573). The Muromachi Period corresponds to the Renaissance in Europe and much of its art was produced under the influence of Zen Buddhism and of Chinese ink painting of the Sung and Yuan dynasties. Landscapes, birds and flowers are among the favourite subjects and this exhibition includes works by such masters of the genre as Sesshu and Kano Motonobu. Closed Mondays.

Riccar Museum. 120 years of Japanese Landscape. Ranging from traditional woodblock prints to oils, this small but representative exhibition traces the changing feelings towards landscape in Japan in the modern era. National Museum of Western Art. Masterpieces from the Vatican collection. A selection of paintings and sculptures, chosen to demonstrate the development of western art from ancient Greece to the Renaissance as well as to present the architecture of the Vatican itself. Closed Mondays.

Hara Museum. Kitashinagawa. Hara Annual IX. Recent works by ten young and upcoming Japanese artists; an opportunity to view trends and developments in contemporary Japanese art. The museum was renovated recently in anticipation of its tenth anniversary. Closed Mondays.

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Friday May 12 1989

The City in second place

LONDON IS no longer the world's leading banking centre, at least as measured by its share of total international lending. Four years ago, the UK's share of the overall figure was more than twice as large as that of Japan: in 1988, according to the latest Bank of England Bulletin, Japan's share moved up to 21 per cent, just a fraction ahead of the UK. Is this a cause for band-wringing - or for congratulation?

The pessimistic view is that the City has had two comparative advantages in its development as a financial centre and that both are now under threat. One has been the liberal approach of the UK authorities to regulation and tax, which played a crucial role in, for example, the development of the Eurocurrency market. The other has been the relative efficiency of its financial markets, especially when compared with its rivals in continental Europe.

But deregulation is levelling the playing field around the world, by leading to greater freedom of capital movement and by breaking down artificial barriers between different financial activities, such as the split between commercial and investment banking in the US and Japan which has helped to make London such an attractive offshore centre for banks from these countries. At the same time, other European centres have been updating their organisational and systems at a time when London has been making slow progress in important areas like clearance and settlement.

Prudential controls

Finally, the Bank of England has for some years been more concerned with the need to establish prudential controls in a much more risky financial environment than with making life more comfortable for the Third National Bank of Boot Hill. The cliché about it having a light hand on the tiller is well and truly out of date.

Studied in this context, however, the latest figures do not make such a gloomy picture. The explanation for the fall in London's market share appears to be just about entirely a result of banks cutting back on their low margin interbank business. The Basle proposals for international convergence on capital adequacy were

always likely to lead banks to concentrate more on profitability than growth. If London-based institutions are becoming less preoccupied with league table positions and more concerned about making money, so much the better.

Japanese banks have found it relatively easy to boost their capital ratios to meet the Basle formula and their market share has been further boosted by the rapid expansion of Tokyo's own "offshore" market in the last three years. However, the City's overall position remains strong.

Rapid growth

For a start, it continues to have much the biggest share of foreign currency lending to non-residents, which in turn is the largest component of international lending. In addition, banks from other countries in the European Community are actively expanding their business there: indeed they represent the most rapidly growing part of the London market in the past two years. The UK's share of international banking business remains twice as large as that of France and West Germany combined.

London also shows up well as a centre for financial innovation. Banks in the UK played a big part in the rapid expansion of Ecu lending through most of last year and the UK Government's introduction of Ecu Treasury bills last autumn should help to create a liquid short-term market in this paper. The City also has a big share in off-balance sheet banking business, which has been growing rapidly in recent years and which does not show up in the official figures.

A declining share of the total available market seems just about inevitable: what matters for the UK is that London consolidates its position as the financial centre for Europe. This will require a more determined effort to make the City's trading systems as competitive as possible, as well as an active role in the development of an open and well regulated structure for Europe's financial markets. It would not hurt, either, if the UK started to play a more positive role in the development of European monetary policy.

Antipodean blood sports

THE BEST spectator sport "down under" - and the only blood sport - is generally acknowledged to be politics. The season is in full swing in both Australia and New Zealand. Plots have been hatched and beads started rolling this week; government and opposition factions in both countries are now badly split.

There is a serious side to the spectacle. Both Australia and New Zealand have labour governments which have abandoned socialist dogma and instituted free-market economic reforms. Both experiments are in trouble and, as the electorate knows it, there is a danger that political expediency could over-rule economic necessity.

The main political event in Australia has been within the opposition, where both party leaders in the coalition were deposed. Mr John Howard, leader of the Liberal Party, was replaced by Mr Andrew Peacock - himself overthrown as leader by Mr Howard in 1985. On the same day this week, the National Party, the Liberals' minority partner, also voted to remove its leader, Mr Ian Sinclair, in favour of Mr Charles Blunt, who is younger, dynamic but largely untested.

Hawke's difficulties

These changes almost certainly rule out an early general election. Mr Bob Hawke, the Labor Prime Minister, must go to the polls before the middle of next year. With his Government jaded and the economy in the sort of trouble that cannot be dealt with quickly - rising inflation, interest rates at 17 per cent and a ballooning deficit on the current account - Mr Hawke was anxious to call an election just as soon as he thought he could win. Later this year looked likely, after the wage rises and tax cuts negotiated with the trade unions were safely in voters' pockets. Although the Government's opinion poll ratings have fallen, Mr Hawke's personal popularity has remained buoyant and, crucially, both Mr Howard and his Liberal Party consistently failed to make any impact on the polls. The return of Mr Peacock poses two problems for Mr Hawke. First, Mr Peacock is

regarded by the electorate as charismatic; he looks and sounds good on television. Second, his policies are less strident than Mr Howard's and, as both parties are battling for the same bit of centre ground, Liberal policies may now look remarkably similar to Mr Hawke's.

Bipartisan approach

Mr Peacock has already indicated his intention to adopt a bipartisan approach to the delicate subject of immigration and urge a gentler approach than Mr Howard to labour-market reform and privatisation. So the plan seems to be to dance to the same tune as Labor, but more elegantly. Mr Hawke and his team will, therefore, have to delay the election and concentrate on trying to trip the Liberals up, but Mr Peacock is pretty nimble at the political two-step. Mr Hawke has another difficulty: his parliamentary party is in some turmoil as several members threaten to quit the centre-left faction which has given the Government stability since it was elected in 1983.

Doubts about Lange

The New Zealanders are not to be out-done. The opposition there appears close to paralysis despite widening rifts in the ruling Labour Party. There are serious doubts over Mr David Lange's future as Prime Minister as factions supporting both Mr Roger Douglas, the former Finance Minister, and Mr Geoffrey Palmer, the deputy Prime Minister, ponder the collapsing fortunes of both Government and leader in the opinion polls. Again, the economy is at the root of the difficulties, although there are signs that it may have turned the corner out of recession. Falling public confidence has not been assisted by some maddening Lange politics at home and abroad. The major parties in both countries are all temporarily off-balance on the direction of economic policy. It would be a pity if political uncertainty endangered the process of economic liberalisation which has been achieved in both under labour and is still far from complete.

Kevin Done opens a series on the changing role of Japan and its car makers in the global market

Car wars after the yen shock

To the alarm of their competitors, Japan's car makers appear to have suffered little more than a minor dent in their fortunes from the appreciation of the yen that has occurred in the wake of the September 1985 Plaza Accord to depress the value of the dollar.

The austerity programme imposed by Japanese vehicle makers - a process described by some in the industry as "squeezing water out of a dry rag" - has enabled the industry to make startling productivity gains, matching anything achieved in North America or West Europe in the second half of the 1980s.

Mr Yutaka Kume, president of Nissan, Japan's second largest vehicle maker, claims that labour productivity at its Japanese plants has jumped by 45 per cent in the three years since 1985.

According to a leading Tokyo financial analyst, exports from Japan are still more profitable than Japanese production from overseas, despite an almost 80 per cent revaluation of the yen against the US dollar in the past three-and-a-half years. (The average yen/US dollar exchange rate was ¥239.5/\$1.00 in September 1985 against ¥134.4/\$1.00 now.)

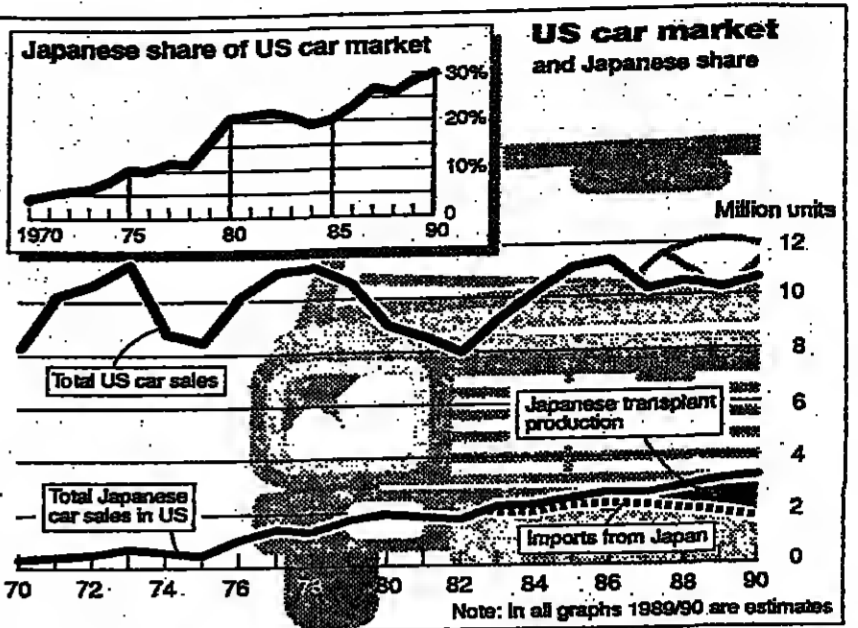
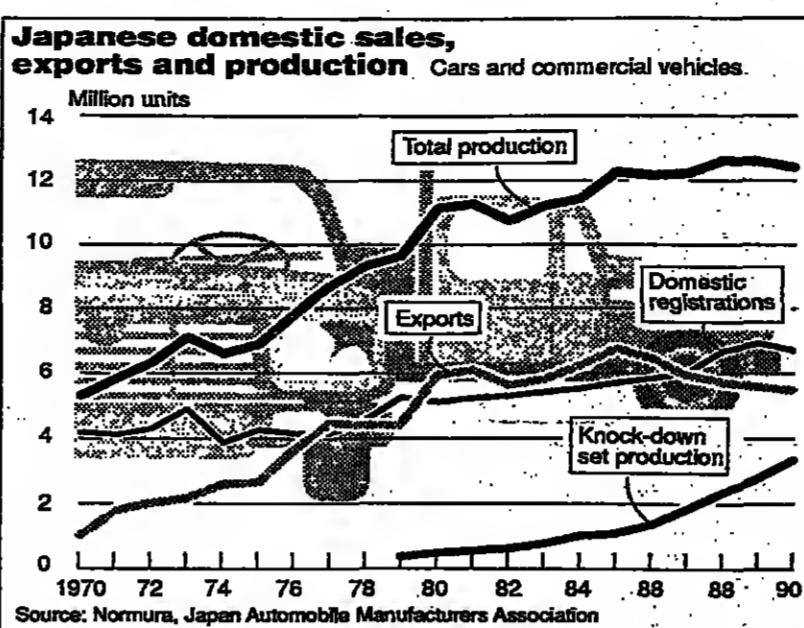
While the Japanese industry has moved with breathtaking speed to adjust to the initial yen shock to its export business, it has also discovered that the export system implemented at the beginning of April. This has reduced new car prices and in particular has stimulated sales of large cars by removing discriminatory tax rates. Last year was a milestone as Japanese domestic vehicle sales exceeded exports for the first time in eight years. New vehicle registrations (excluding mini-vehicles) jumped by 14.5 per cent to 4.7m units, in the best five-year forecast since 1981. Further, a 10-11 per cent increase in new car registrations.

Despite a 3.2 per cent fall in vehicle exports to 6.1m in 1988, total domestic production still rose by 3.7 per cent to 12.7m.

Japanese car makers are placing a much greater emphasis on the domestic market by investing heavily in revamping their dealer networks and in speeding up the flow of new products to the market. At the same time they are pursuing a determined up-market strategy, which is taking them into new and much more lucrative market segments.

The Japanese market has been hit by the so-called "Cina phenomenon", a reference to the wide-bodied, three litre V6 luxury saloon launched just a year ago by Nissan, which is enjoying outstanding success despite a selling price of ¥5.6m (£227,000) and which has lifted cars produced in Japan into the pricing stratosphere previously occupied only by exclusive cars imported from Europe.

The structure of Japanese car makers' profits has changed greatly with the switch of market focus. According to leading Japanese automotive industry analysts, exports generate as much as 73 per cent of Toyota parent company operating income in the 1985 fiscal year with only 20 per cent coming from domestic sales. In 1986, as



export earnings began to plunge under the impact of the rising yen, domestic operating income surpassed that of exports for the first time since the 1960s. In the 1988 fiscal year some 73 per cent of operating income came from the domestic market.

The 1988 financial year operating income at Toyota and Honda is still only likely to be at 80-90 per cent of the previous peak level, while operating earnings at Nissan and Mazda are forecast to reach 60-70 per cent of earlier record earnings, but at all the car makers the path to financial recovery is firmly established.

The surge of interest in larger cars and increasing affluence that is so clearly benefiting the domestic car makers is also providing a big boost to the market for imported cars.

Imports are of course starting from a small base, but sales of imported cars in Japan are now rising very rapidly. Backed by the official blessing of the Government, imported car sales rose by 36.7 per cent last year to 130,583 or 3.7 per cent of the market, from the peak of 4.57m in 1986 to 4.33m in 1988 - but it is thought unlikely in Tokyo that exports will fall sharply.

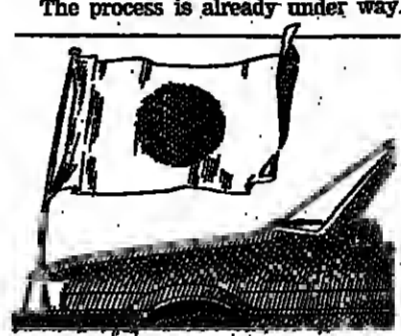
Nissan, the number two Japanese car maker for example, is currently building towards a car production capacity in Europe of 200,000 cars a year by 1992 at its UK assembly plant, but according to Mr Yoshikazu Kawana, Nissan Motor main board director and head of the Europe Sales Group, "we would like to maintain the present level of exports and add local production on top."

In Europe Nissan now has the stated ambition of creating a local production capacity for 400,000 cars a year by the late 1990s, while Toyota is also a 200,000 cars a year capacity for the mid-1990s. Honda has a production arrangement with Rover Group for 40,000 cars a year by 1990, and the establishment of additional capacity by other Japanese car makers in Europe appears inevitable, most probably through joint ventures.

In the US the process is much more advanced. Japanese vehicle production in the US was already of the order of 1m units last year, comprising approximately 870,000 cars and 130,000 light trucks (mainly pickups). By 1992 there is expected to be a capacity of 2.2m units, which could give a production output of around 1.8m units assuming an 80-90 per cent capacity utilisation rate.

While the Japanese car makers achieve success in cutting costs and regaining profitability at home, this will not stop the inexorable increase in Japanese overseas production capacity, however.

Having recovered from the first yen shock Japanese car makers are still anxious to reduce their vulnerability to future exchange rate fluctuations. The build-up of foreign production capacity will also give Japanese vehicle makers an enviable flexibility in supplying the three leading car-buying regions of the world, North America, West Europe and Japan from the most profitable location.



JAPAN AND THE WORLD CAR MARKET

Toyota is shipping cars from the US to Taiwan, Honda is already the biggest car exporter from the US to Japan, and Honda is planning to begin car exports from the US to Europe next year.

At the same time the ever present threat of trade barriers continues to make the establishment of so-called transplant assembly capacity abroad - chiefly in North America and increasingly in West Europe - an attractive proposition.

It will hardly be welcome news in Washington, but motor industry analysts in Tokyo are now convinced that the success of Japanese car makers in dealing with the appreciation of the yen, means that there is little prospect of cutting the huge US trade deficit with Japan.

The automotive sector alone accounts for around half the Japanese trade surplus with the US. The problem is not semi-conductors," says a leading Japanese financial analyst, "it is the auto industry. The break-even point for car exports is now ¥105 to

Mouldy cheese

It is not fashionable in the decade of Thatcher and Reagan to claim that government can be good for you. But it surely is curious that the better-run countries - Japan, for example, or France after lunch - are conspicuous for possessing quality civil services. Most of us are not so lucky.

Italy, of course, has survived and thrived in spite of its system. However, in a worrying development, officials, not content with having sunk their collective teeth into most aspects of life and business, have now started chewing over Italian cheese. The production of both parmesan and mozzarella may never recover.

"Parmigiano Reggiano," to give it the correct title, is produced mostly in the fertile valley that lies 100kms south of Milan and encompasses the competing cheese (and prosciutto) towns of Parma and Reggio Emilia. The residents of these two towns both compete and despise each other.

The Parmigiani maintain that real cheese comes from Parma and call the Reggiani "square heads" (apparently because they do not have a local university) while the latter, suffering from an inferiority complex and with a less well developed vocabulary, consider the Parmigiani snobs.

OBSERVER

MILLINERS

Mr Reagan, who can command up to \$50,000 a hour for speeches at home, has been earning freely since his retirement in January. Mr Wick, now, as before, Mr Reagan's agent, describes the Japanese contract as "an attractive visit and an attractive honorarium". It certainly makes his presidential pension of \$56,200 a year seem peanuts, which does not, of course, account for the presence of Jimmy Carter, who used to grow them, in Panama, since it is at present neither attractive nor the sort of place where honoraria can decently be earned.

Big sushi

In the US, there has long been a well-oiled revolving door between the public and private sectors. Diplomatic correspondents from the New York Times frequently whizz round it but few have seen the active opportunities so clearly as Charles Z Wick, who used to head the US Information Agency. Having set up a mini-international TV network (Worldnet) to pass on the word of government, he is now vigorously marketing those who used to run the show at a loss to those with budgetary surpluses.

The beneficiary of all this is Ronald Reagan, no less. The Japanese Fujisanki corporation, the information services group, has hired the former president to act as a master of ceremonies for 10 days of festivities in Tokyo aimed at improving US-Japanese relations. The fee is reported to be about \$2m.

Chocolate fudge

On the other hand, in no country do doors revolve so slowly as in Switzerland. Thus it comes as something of a surprise to discover that Andrew Lange, well-known in banking circles as one of the few foreigners ever to get on the board of a Swiss bank, is planning to leave when his current contract with the Swiss Banking Corporation runs out next year.

Fishy tale

A reader recalls that two years ago Mrs Thatcher did take her cabinet out for a meal at Wilton's, the well-known fish emporium. He goes on: "I believe the story is still remembered today not so much for the vegetable/cabinet side of it... but for Mrs Thatcher's wisdom of ordering steak in Wilton's of all places."

Fortune cookie

Mao was once asked if he thought it would have made any difference if Khrushchev, not Kennedy, had been assassinated. "I do not think," he gasped, "that Aristotle Onassis would have married Mrs Khrushchev."

The question is, inevitably, whether he was pushed out, thus proving that foreigners can never win full acceptance in the closed and chubbish world of Swiss banking. Large was adamant yesterday that that was not the case. "I have been taken into all the things that are going on there."

As an executive board member, he has been in charge of SBC's capital markets and brokerage businesses. This has been tough going, particularly in London where SBC lost sizeable sums of money in the last two years, though as Large points out SBC is not unique in that respect.

Before being appointed to SBC's board last year, Large was in charge of its London capital markets operation. He was also for a while chairman of the Securities Association. He has not yet quite decided what he will do when he leaves, but he will probably set up a financial institution with some friends. "But I won't be going to a competitor of SBC," he says. He might give Charles Z Wick a call.

Jurek Martin

This has been a big week for Britain's Labour Party. Its excitement is understandable, but it would do well to avoid the delusion that, even today, it is poised to win the next general election.

The story begins with the cause of all the excitement. It is without qualification the most important staff of the National Executive has approved a set of policy proposals that could bring Labour into line with the great social democratic parties of the rest of Western Europe.

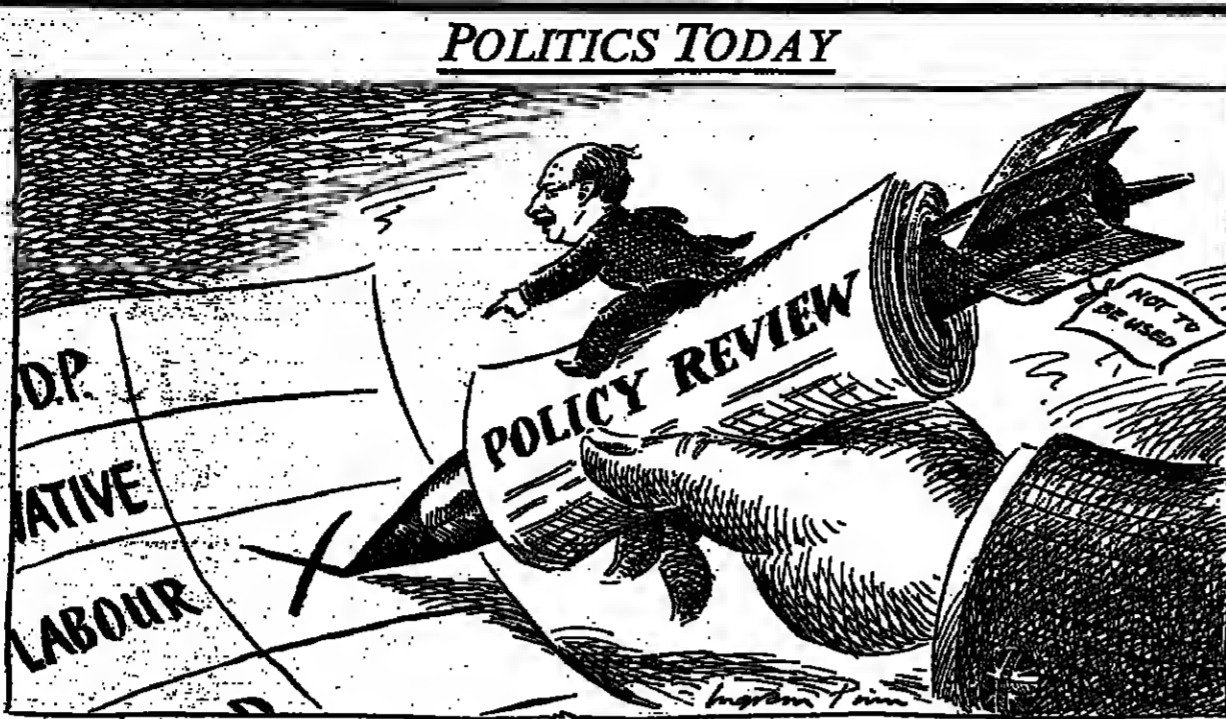
I say "could" because this is the Labour Party we are talking about. Accidents will probably happen. The new policies will be voted on by the annual conference in October, which gives the Left nearly six months in which to campaign hard against some of them. Meanwhile there will be a great deal of criticism of the details, not least by the Tories. Labour should not underestimate the skill of the Conservatives, whose principal purpose will be to devalue the efforts of Mr Neil Kinnock, the party leader.

Yet the present expectation is that Mr Kinnock's social democratic programme will get through the party conference. It may do even better than that: it may get through to the accompaniment of a number of headline-grabbing rows with Mr Ron Todd, general secretary of the Transport and General Workers Union, Mr Ian Livingstone, the all-occasions MP of the outrageous Left, and other prominent vote-repelling members of the Labour "movement."

Every such row will, from Mr Kinnock's point of view, constitute a blessing - provided, of course, that he emerges victorious. His stature always increases on such occasions. The more often the silly, or hard, or socialist or even soft Left is shown to be vanquished, the greater the chance that the opinion polls will begin to indicate a Labour lead over the Conservatives. That would enhance Mr Kinnock's reputation, which admittedly needs a lot of enhancement.

Thus bolstered, the Labour leader would be well placed to write virtually his own manifesto for the 1991 or 1992 general election. He would have to be careful. Where, as on defence, there is currently fudge, fudge may remain - or, worse, the necessary clarifications may be in the wrong direction. Yet the opportunity is there.

The "new Labour" manifesto could be as social democratic and even centrist as Mr Kinnock chooses to make it, with pencil in one hand and poll data in the other. For the voluminous documents that make up this week's policy review do not constitute an election platform. Clause 5 of the party's constitution obliges the Shadow Cabinet and the National Executive, sitting jointly, to produce the prospectus that will be put before the voters. It is a pity that the National Executive is involved, since it brings trade union leaders into the



Why Labour is so excited

By Joe Rogaly

centre of the process once more, but this need not make much immediate difference if Mr Kinnock retains his hold over the "Clause 5 committee" voting.

The upshot is that the policy review documents, if approved in October, will amount to a large tranche of electioneering ideas. Provided that Mr Kinnock can show that he has dipped into this tub in order to produce his manifesto, he should be able to hold the party together, more or less, behind a non-socialist programme. It could turn out to be a manifesto that could win the approval of the Social and Liberal Democrats, the Social Democratic Party (Owen faction) and, secretly, even many on the Tory left. Then his only remaining problem would be to convince the voters that the newly-reformed Labour Party meant what it was currently saying.

This may turn out to be difficult. Whenever a party reforms its policies it lays itself open to the charge of inconsistency. Yet the Conservative Party has stood for just about everything you can think of during this century, and gotten away with it. Anyhow, on this particular occasion the charge of inconsistency is unfair, if applied to the policy review as a whole. The Kinnockites can reasonably argue that they are simply responding to the wishes of the electorate, just as the Tories did when they accepted the

Welfare State following Labour's decisive victory in 1945. For three elections in a row that voters have indicated that they do not want the state to own leading industries. Now Labour is talking of buying back control over British Telecom and the future water companies, but little more than that. Its interventionism will therefore take the form of the regulation of public utilities, the establishment of state organisations like a "British Investment Bank" and a beef-up Department of Trade and Industry. These plans may be unwise but they hardly constitute 1970's-style socialism.

Defence is another matter. Here the objection is not so much that Labour is selling out its principles as that the party is talking to itself. As Mr Todd and Ms Joan Ruddock, the former chair of the Campaign for Nuclear Disarmament, have both pointed out, there is more logic in a straight unilateral approach than in the tortured policy-review statement that retains the Trident missile system (or three of the proposed four of them) but says there shall be no first use of nuclear weapons. Yet the statement on defence has little to do with defence. It is, as Ms Ruddock has pointed out, a document produced in order to make the party electorally more acceptable.

In this it may be more successful than it deserves to be. For it is just possible that the blandishments of Mr Gorbachev will make British voters less anxious for their Government to be in control of an independent nuclear arsenal. The Russian leader has moved West Germans of all parties several notches in a pacifist direction, as has become clear to me in visits to Bonn and Berlin over the past few weeks. By some accounts the polls are showing a movement against high defence expenditure in the US, also as a result of Gorbachev. Mr Kinnock has removed the fatal label "unilateralist" from around the party's neck, which, in personal and organisational terms, is a major achievement. He must aim to improve on that when bran-tub time comes, at the least by letting it be known that he would press the nuclear button in certain circumstances, and at best by forgetting about that no first use nonsense.

Industrial relations policy is more awkward. Most of the trade unions are resigned to a continuation of the essence of the laws passed during the past ten years, although they want a little rolling back of some of them. The policy document goes along with that, but the interpretation placed on it by Mr Michael Meacher, the chairman of the relevant working party, returns more power to the unions than they themselves have thought it politic to seek. This has infuriated the Kinnockites, who regard Mr Meacher

as an unguided missile who is arousing that they see as unjustified fears that there would be no final redress against unions that persisted with illegal strikes. I have no doubt that the Labour leader will ignore Mr Meacher's pronouncements when he draws up a manifesto.

For the rest, the tub is full of interesting, un-Thatcherite propositions. The top rate of tax on income would be 65 per cent. (Would there be an investment income surcharge on top?). The House of Lords would be replaced by an elected senate. There would be regional assemblies for Scotland, England and Wales. A national broadband fibre optic communications network is proposed. Private schools would lose their charitable status. State pensions would once again be linked to the higher of the prices and earnings indices. Bodies to serve the interests of the consumer, the environment, and women would be set up. Nuclear power would be phased out. And so on.

If as a result of the policy review Labour comes to be regarded as a serious contender for power some of these and other similar proposals will presumably be debated on their merits over the next two years. It will all come to nothing, unless Labour can persuade people that it really is a modernised party. The hard reality is that in the south-east, where most of the constituencies that have to be won are to be found, persuasion will be difficult. It is in the south-east in particular that a 59 per cent top rate of tax will seem off-putting. If the south-east was on the European mainland, Christian Democrats would prevail and Social Democrats would struggle. The suspicion that Labour is merely a tool of the trade union leaders is at its strongest here.

Mr Kinnock is aware of all this. He is also anxious to reduce the power of trade unions within the party constitution - but not at the cost of an immediate, violent row and certainly not at the cost of losing union financial support. He should take courage. Thanks in part to his own behind-the-scenes efforts, the half-dozen most important union bosses would all favour some reduction of their bloc vote at the party conference; he should be bold and propose this very October, that it be abolished. That would do more to restore Labour's credibility than any other single act the party's leader might undertake.

He also needs a focus. The public probably knows by now that Labour has, sort-of, abandoned unilateralism. But what is it for? It could be a whole-hearted Europeanism; it could be a more convincing save-the-world approach than the Prime Minister's; it could seek country votes in Conservative shires by attacking Mr Nicholas Ridley's lax attitude to planning controls; it could stress a determination to reduce public squallor. In short, it could become the party of a kinder, gentler approach to using the fruits of the market economy. The Tories are so entrenched that it would be crucially misleading to say that that would bring about a Labour victory. But it would do a whole lot better than any other selection from the bran tub.

The right way to join the EMS

By Giles Keating

THE CONFLICT between domestic monetary indicators and the exchange rate has caused confusion in UK policy-making throughout the 1980s and lies at the heart of the economic debate over the merits of joining the exchange rate mechanism of the European Monetary System. Yet each conflict has generally been illusory. For example the current fragility of the exchange rate appears to contradict the slowing of M0 growth to within its target band, but M0 has returned to its band only because the target was not adjusted down to offset last year's overshoot. Allowing for this, both M0 and the exchange rate suggest that monetary policy is barely tight enough.

There was a similar apparent contradiction between early 1987 and late 1988, when the exchange rate rose steeply while monetary growth accelerated. Given the overheating in 1988, hindsight suggests that the monetary indicators were right and the exchange rate misleading. However, this is to concentrate on changes in the exchange rate and to ignore its level. Mr Nigel Lawson may have believed at the time that a sterling rate of just below DM 3 (90 on the effective rate index) was appropriate, but objective evidence points to a higher rate.

OECD estimates of purchasing power parity exchange rates in 1980, adjusted to include only traded goods and updated for changes in the prices of those goods, suggest a rate of around DM 3.25 (95 on the effective index). Moreover, UK profitability was at an unsustainably low level in 1980 and has since risen faster than elsewhere, giving UK producers the opportunity to improve non-price competitiveness and justifying a higher level for sterling. This is supported by anecdotal evidence, such as comments this April from Bosch that unit labour costs at its new Welsh plant would be some 16 per cent to 20 per cent below those in Germany.

Mistaken views about the level of the exchange rate or money supply can lead to apparent contradictions between these two indicators. In the absence of such mistakes, the exchange rate and domestic monetary aggregates will generally tell the same story, except when there is a shock to domestic money

demand (as occurred following deregulation of credit at the start of the 1980s) or a shock that impacts the UK differently from other countries (for example the oil price collapse in 1985-86, which necessitated a fall in the UK real exchange rate, though not to the extent Mr Lawson thought). Such shocks are less likely to cause confusion in the 1990s than in the 1980s. The process of financial deregulation has now largely run its course and is far less important to the UK.

Economic arguments against joining the EMS are now few, but only if the correct level is chosen. The choice of level is particularly important given one of the key arguments against membership, advanced by Sir Alan Walters. He argues that by increasing the attractiveness of sterling to foreign investors, membership would put the UK currency under upward pressure. He is concerned that this would rapidly bring sterling against its upper limit within the EMS, forcing the UK to cut interest rates more than was justified by domestic conditions and thus ultimately worsening UK inflation.

This is a real danger if sterling enters at too low a rate, but the problem can be reduced or eliminated by setting a central rate for sterling as far above the current market rate as possible. For example, at the time of writing, the sterling-D-Mark spot rate is around 3.18. If the central EMS parity was set 3.25 per cent higher, at 3.25, sterling could appreciate to above 3.30 before it became necessary to cut interest rates to keep the UK currency within its EMS band. The expansionary monetary effect would be balanced by the exchange rate appreciation that would have occurred. Nor would such a currency appreciation be adverse. It would still leave sterling slightly undervalued on the cost comparisons advanced above and would exert further downward pressure on inflation.

The author is chief economist of Credit Suisse First Boston.

LETTERS

Down at the Docks

From The Director, The National Association of Port Employers. Sir, Bill Morris of the Transport & General Workers Union (Letters, May 8) asks port employers to negotiate with his union nationally on a range of issues that can only be seen as the reintroduction of a substitute Dock Labour Scheme. Port employers have consistently said they want to talk to their employees and union officials at local level to deal with matters concerning their future terms and conditions of employment and to reassure them about continuity of pensions and other matters after repeal of the scheme.

One of the worst features of the Dock Labour Scheme was the divisive way in which a statutory demarcation line separated a group of workers from their employer and encouraged loyalty to an outdated job protection system. Now that the scheme is about to be repealed, one of the great challenges for the management in scheme ports will be to carry out the integration and assimilation of the registered dock worker into the arrangements that apply to the much larger group of employees of that particular company or employer. The vast majority of port employers know that the success of their business will depend upon the motivation and goodwill of their employees. It is in the direct interest of port businesses that the demarcation lines and attitudes of the past perpetuated by the Dock Labour Scheme are removed. The TGWU abandoned, on legal advice, open confrontation with the Government to strike over repeal of

the scheme and are now trying to establish a veneer of respectability to their claim for extensive national bargaining machinery to "establish national employment conditions for British dockers which are no less favourable than those provided by the Dock Labour Scheme," to quote Ron Todd. In presentation of their claims they are, I believe, deceiving the registered dock worker by trying to persuade him that his best interests are served by maintaining loyalty to an outdated national system of control which is wholly inappropriate to the needs of a modern port transport company and the prosperity of all employees who work for the dockers' own company.

As every day passes towards the repeal of the Dock Labour Scheme, so the real needs of the dock worker for local discussions with his employer grow greater. It is disgraceful that the TGWU's National Docks Secretary, John Connolly, is advising dockers that "any attempts, therefore, by port employers to initiate discussions or negotiations in ports at local level, on issues or developments arising from the Government's decision to abolish the Dock Labour Scheme, must be rejected."

This whole approach by the TGWU seems aimed at maintaining national union control at the expense of the local dock worker and his employer's best interests. The port employers will not recreate the Dock Labour Scheme by another means. Nicholas Finney, The National Association of Port Employers, 1-19 New Oxford Street, WC1

The revaluation of the D-Mark

From Mr Leonard Ross. Sir, Your editorial ("The dazzling dollar" May 10) makes no mention of one crucial explanatory factor: the lack of a currency realignment in the EMS since January 1987. The repeated postponement of the Yen and the D-Mark. In the case of the Yen, the interest differential in favour of the dollar is perhaps an adequate explanation. It is apparently not so with the D-Mark, where, as you point out, the interest gap has narrowed quite sharply.

But, how else do you explain the huge capital outflows from Germany which are the cause of the D-Mark's weakness? The Bundesbank identifies net long-term capital exports in 1988 of DM 84bn, half of which went into foreign currency bonds. There was another DM 36bn of short-term outflows. These seem to have continued on much the same scale in 1989. The Bundesbank used to blame the interest withholding tax. Now that it is to be abolished, the Bank is at a loss to explain why the outflows have not been reversed, even after last month's rise in its own money rates.

What the Bundesbank seems unable or unwilling to face up to is the role of the EMS in the D-Mark's decline. You continually applaud the "success" of the EMS exchange rate mechanism in maintaining stable currency values for nearly two and a half years. Yet, far from creating wider financial stability, the fixity of exchange rates is responsible for deferring adjustment of the growing imbalances in Europe. Germany's increasing trade surplus with her EMS partners shows patently the undervaluation of the D-Mark.

There is an urgent need for a substantial D-Mark revaluation to correct the trade imbalances. Yet, for political reasons, the necessary EMS currency realignment is repeatedly postponed. Investors, convinced that fixed exchange rates are here to stay, have spotted an opportunity for easy money. With no perceived risk, they treat currencies such as the lira and the French franc as high-yielding proxy Marks. Why not borrow D-Marks at 7 per cent and relend in lire at 13 per cent?

This interest arbitrage has not been confined to the EMS. G7 pacts on currency stability and the counter-inflationary commitment to a strong currency in many countries - US, Canada, UK, Australia, New Zealand, Spain - mean that investors now feel secure with bigger weightings for the high yielders in their portfolios.

Germany's capital outflows and the weak D-Mark will continue until investor perception of negligible currency risk is dispelled. Another rise in German interest rates would help, but on its own it will have to be damagingly large to have an impact. If abandoning the EMS exchange rate mechanism is (regrettably) ruled out, the most effective way of reversing capital flows would be for the Bundesbank to nprvalue the D-Mark in the EMS and then to hold it near the floor of its intervention band, giving scope for further appreciation to burn the fingers of the EMS interest roundtrippers. In short, the Bundesbank must show that the D-Mark can go up as well as down. Leonard Ross, 107 Fleet Street, ECA

South-east Asia's regional revival should start from within

From Mr Fitzroy Ponniah. Sir, Your leader, "The West's role in Kampuchea" (April 19), emphasises the importance of international investment and the Sino-Soviet summit. The region suffered under past colonial ambitions, followed by more suffering inflicted by US-Soviet rivalry. Now it is threatened with blind prescriptions in the name of the international community. Unnecessary rivalry and competition have caught up with the US and the Soviet Union, evident in the US trade

and budget deficit and in Mr Gorbachev's foreign policy shift with emphasis on cost-saving, a by-product of his economic diagnosis. Again, Mr Gorbachev's concept of a common European home should make Vietnam less relevant and the Soviet hold on the Japanese islands out of date. The assured withdrawal of Vietnamese forces from Kampuchea by September makes the US-China-Khmer Rouge alliance meaningless. China has inflicted much suffering and destruction on Tibet and, via the Khmer Rouge,

much of the same in Kampuchea. The Chinese need to realise that their behaviour is unacceptable; the Khmer Rouge must be made to dissolve itself. The US-China-Pakistan attempt to manage the outcome of the political settlement in Afghanistan led to further destruction of the region - this model should not be repeated in Kampuchea. The UN's ambition to manage a political settlement was misplaced. The UN should be supportive, and not attempt to manage Cambodian politics. Hun Sen is well placed to

start the process of nation-building, having accepted the Buddha's teaching as central to the Kampuchean identity. Accepting the Buddha's teaching as central to Vietnam's recovery will aid reconstruction. Prince Sihanouk is well placed to provide princely leadership. The EC has little to do... non-interference by the US will help make savings on unnecessary foreign policy adventures. Fitzroy Ponniah, 16 Ormonde Mansions, 106 Southampton Row, WC1



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FSX opponents fail in bid to halt project

By Nancy Dunne in Washington

THE US Senate Foreign Relations Committee yesterday narrowly defeated an attempt to stop a controversial \$7bn deal with Japan to co-develop and co-produce the FSX fighter aircraft.

The committee voted by nine votes to eight to defeat a ferocious attack on the project, under which Japan would build a new aircraft using technology from the US F-16 fighter.

The agreement, originally approved by the Reagan Administration but renegotiated under President Bush, would give the US 40 per cent of the development work and about 40 per cent of the production.

The full Senate, which rarely

reverses a committee vote, will now vote on the project. To stop the deal, both houses would have to pass a joint resolution of disapproval by May 31. If President Bush vetoed this, they would have to override him by a two-thirds majority vote.

Senate Democrats may still attempt to impose additional conditions on the project. Senator Robert Byrd, the former majority leader, has proposed stringent monitoring requirements and demanded that US companies supply 40 per cent of all spare parts.

The new conditions follow a report by Congress' General Accounting Office that the technology Japan is to provide to the US, a prime selling point

UK Liberal looks for an Italian job in European Parliament

By John Wyles in Rome

IF THE 1984 European elections are any guide, Mr David Steel, former leader of the British Liberal Party, would appear to have a better than even chance of winning a seat in the European Parliament as a candidate on the joint list presented by Italy's Liberal, Republican and Radical parties.

Mr Steel announced yesterday that he would fight an Italian seat, the first time a leading politician from one EC country has fought in another.

In 1984 only the Liberals and Republicans ran in tandem under Italy's system of proportional representation, but they did manage to elect one MEP for the constituency covering Tuscany, Umbria, the Marches and Lazio. But this time the Radicals, and because Mr Steel is second on the electoral list being put up by the triad of parties for this constituency, they would only have to repeat 1984's performance to send him to Strasbourg.

Although the legal position is a little cloudy, it would appear that under Italian law Mr Steel would also have the luxury of choosing not to take his European seat because he is already a member of the British legislature.

Italian law allows members of its national parliament who win a seat in Europe to step down from one or the other assembly in favour of the next election. But the party's electoral list, this enables the parties to deploy their big guns in the European elections even though many of them have no intention of going to Strasbourg.

Candidates in this category almost certainly include Mr Bettino Craxi, the Socialist Party leader, who heads his party's list in both the northern and central constituencies, Mr Arnaldo Forlani, the Christian Democrat party secretary, and Mr Giulio Andreotti, the Christian Democrat foreign minister who was also elected an MEP in 1984 but chose to stay at home.

The fact that they allow non-Italians to run for European election is viewed by many Italians as a proud affirmation of the nation's European commitment.

That said, Mr Steel's candidacy has been taken very quietly, earning far fewer headlines than the fact that the Communist Party is running France's Mr Maurice D'Amboise, a close adviser of President Francois Mitterrand who, in a gesture of political ecumenism, willingly gave his blessing to this crossing of party and national lines by his Socialist friend.

But the grouping which Mr Steel intends to represent is a political pygmy in comparison with the other candidates. The Liberals and Republicans jointly took 6.1 per cent of the vote in 1984, exactly the same as they had polled separately in 1979.

For their part the Radicals won 3.4 per cent in 1984, and the three are now hoping for a combined strength of about 10 per cent in next month's contest.

Mr Marco Pannella, maverick leader of the Radicals, reportedly made the approach to Mr Steel and to his party's leader, Mr Paolo Adornato, some time ago. Both originally turned down the idea of running in Italy and Mr Pannella then turned to Salmaan Rushdie, author of the Satanic Verses.

He, too, refused but in the past few days Mr Steel changed his mind and accepted the challenge. Mr Pannella is one of Italy's most inventive politicians, with ambitions for Europe which do not stop short of complete federalism and which are bred of an emotional rejection of national boundaries.

Only two weeks ago his party held its congress in Budapest and its members are drawn from several nations including, most recently, some well-known Soviet dissidents.

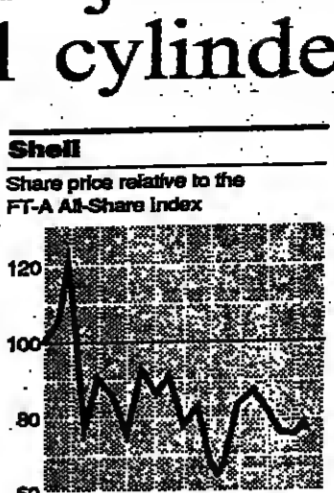
The majors fire on all cylinders

By John Wyles in Rome

FOR THE first time in memory, all three of the oil majors' businesses are prospering together: higher oil prices are doing their bit for upstream profits, strong demand for oil products has eliminated much of the excess refining capacity, and the great chemical boom continues.

The fact that the majors yesterday reported flat or lower current cost figures for the first quarter should not be taken too seriously. Production problems hit both companies, the mild winter cut Shell's gas sales, and most important of all, the sheer speed of the rise in crude prices meant a temporary squeeze on downstream margins. For the rest of the year, however, good profits look reasonably certain. Refining and marketing margins have improved greatly in the last two months. Opec's hold on the market seems good, and even assuming that the chemicals cycle is at last at the top, the way down appears to be fairly gentle.

At first sight, the shares have not noticed this happy coincidence of events, and the relative outperformance over the last two months still leaves them lower than a year ago. However, both are yield stocks, and as their dividends have been rising at under 10 per cent compared to almost 20 for the market as a whole, a re-rating has been taking place. Indeed the present 140 per cent of the market yield is about the lowest this decade and while there is a growing feeling that the oil majors deserve a market yield, as in the mid-1970s, the case seems slender. British industry was then in crisis and the oil price thought to be rising exponentially; the present slowing in corporate profitability and apparently steady oil price scarcely amount to that.



New York are hoping for a soft economic landing. It may all work out all right but it is a volatile mix.

The Bank of England's message is reassuring, if gloomy. Tightening of UK monetary policy in the second half of 1988 is beginning to have the desired effect but much better news on inflation and the balance of supply and demand will be needed before monetary policy can be loosened. Meanwhile, earnings growth is uncomfortably high and the corporate sector has moved quite heavily into financial deficit for the first time since the early 1980s.

For the moment, 13 per cent UK base rates seem about right but this could easily change if the pound were to take a nasty tumble or interest rates elsewhere rose. Given that the Bank is forecasting US inflation around 5 1/2 per cent for the next couple of years, the possibility of further monetary tightening cannot be ruled out. However, if the US economy really is as weak as yesterday's April retail sales figures suggest, the inflationary pressures may begin to subside somewhat earlier. It would all sound more encouraging, if only the dollar started to behave as if the US economy was slowing down.

US savours electronics showdown

Louise Kehoe on industry pressure to prise open Japan's markets

US electronics trade groups are savouring the prospect of a showdown between the US and Japan over high technology trade.

Hardened by frustration over continuing trade barriers and disappointed by the slow progress achieved under trade agreements with Japan, industry executives are demanding tough action from the US Government to pry open Japanese markets for a growing range of electronic products.

Japan will become the number one target of the Administration's "Super 301" hit list of "unfair traders" to be published at the end of the month, industry executives believe.

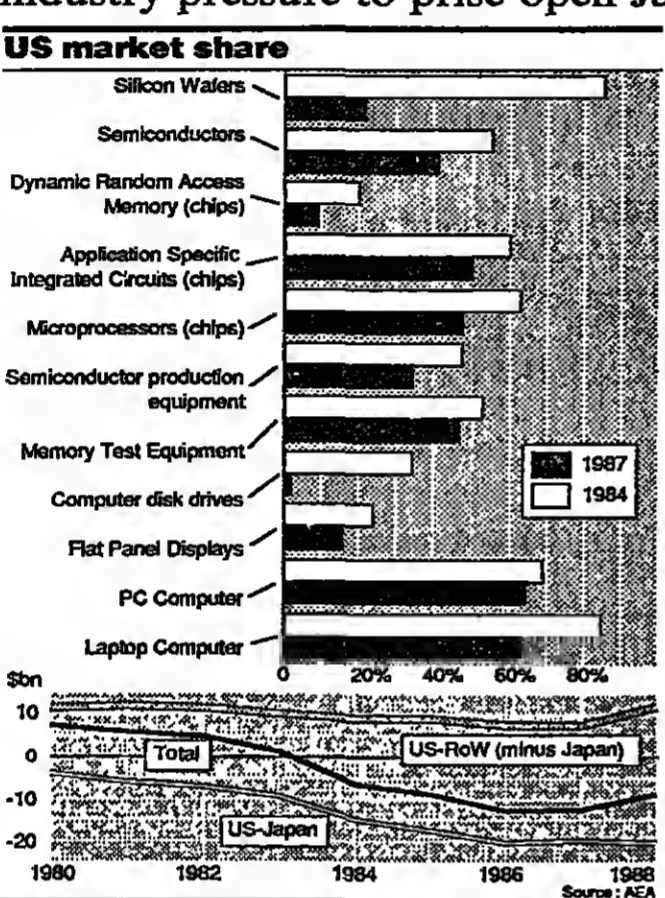
On the key issue of semiconductors, the "building blocks" of the electronics industry, the battle could begin even sooner with talks scheduled to start in Tokyo this week to review progress under the 1986 US Japanese semiconductor trade agreement which promised greater market access for foreign chip producers.

Japanese officials are hoping to use the talks to persuade the US not to include semiconductor trade as a "priority practice" to be addressed under the terms of the Super 301.

US industry representatives say, however, that their trade dispute should not only be included, but also given top billing.

The "foreign" share of the \$18bn Japanese semiconductor market stands at 10.6 per cent, up from about 8 per cent in 1986 when the trade agreement was signed.

While US semiconductor sales in Japan have increased by more than 70 per cent in the



market, the US industry representatives point out US sales revenues of companies such as Sony, Sanyo and Matsushita are very high.

The US Government's dissatisfaction with the compliance of the consumer electronics manufacturers is signalled by the inclusion of televisions, tape recorders, stereo speakers, citizen band radios and video cassette recorders in a list of products that may become subject to punitive 100 per cent import tariffs in connection with a separate trade dispute over cellular telephones. The product list also includes Japanese supercomputers.

Next week the American Electronics Association (AEA), a trade group representing more than 3,500 US companies, will launch a blitz of publicity to be followed by lobbying efforts in Washington under the banner "America's future at stake".

"Electronics is the nation's largest manufacturing industry and as the 'toolbuilder' for the rest of the economy is of critical importance for the future of our economic and military security," says Mr Richard Iverson, president of the AEA.

The failure, to date, of US efforts to break down barriers to trade with Japan are evident, industry officials claim. The US electronics trade deficit with Japan stands at \$20.5bn, a record high.

For too long, the AEA contends, Americans have viewed trade in terms of black and white - free trade versus protectionism. "What we need is a strategic approach to trade policy that supports the interests of US industry," Mr Iverson proposes.

The US Government must retaliate against Japan's failure to live up to the trade pact, US industry officials say. If new sanctions are imposed, they should target Japanese companies that have done little to increase their foreign chip purchases, they suggest.

Japan's major consumer electronics companies have a great deal at stake in the US

Noriega's accounts to be passed to US

By Raymond Hughes, Law Courts Correspondent, in London

INFORMATION on bank accounts held in London by General Manuel Noriega, the Panamanian military leader, could be passed on to US drug enforcement agencies following a High Court ruling won by the British Customs and Excise. General Noriega has been indicted in the US on drug trafficking offences.

Details of the accounts and other documents were found in a locked cabinet in the London offices of Bank of Credit and Commerce International when it was raided last October by

Customs officers investigating drug money laundering. Although not relevant to that investigation, the Noriega documents were regarded by Customs officers as likely to interest their US counterparts.

As the documents were not covered by the Customs' search warrant they could not be seized, so the Customs applied for, and was granted, a court order requiring BCCI to hand them over.

However, in November Judge Valerie Pearlman at Southwark Crown Court only agreed to make the order on condition that the Customs undertook not to pass on the information to US drug enforcement agencies.

She had been told that BCCI feared for their employees in Panama if the Noriega material were handed over to the US.

Yesterday two High Court judges freed the Customs from the undertaking, which they said had been wrongly imposed. They said they would give their reasons later.

The Customs undertook not to pass the Noriega material

over to the US until after the full judgment. There may be a further delay after that if BCCI decides to appeal.

The High Court had been told by Mr Andrew Collins, QC, for the Customs, that it was vital that drug enforcement agencies should be able to exchange information in the international battle against the scourge of drug trafficking.

Mr Peter Cresswell, QC, for BCCI, had argued that the case raised serious issues about banking confidentiality.

that Panama's electoral tribunal had "perpetrated the ultimate election theft in nullifying the elections. We believe universal condemnation of events in Panama is warranted."

The White House also attempted to allay the fears of some Latin American states that the crisis in Panama may provoke the US to abrogate the treaties under which it will hand over control of the strategic waterway by the turn of the century. "The United States is committed to democracy, to the maintenance of the Panama Canal, and to the integrity of the Panama Canal treaties," a statement said.

US increases pressure on Shamir

Continued from Page 1

the elections a chance and of working with Israelis and Arabs to see if we can convert the election into a broader process that will ultimately bring about political negotiations."

Israeli officials said that in a "long and detailed" letter to Mr Moshe Arens, Israel's Foreign Minister, last week, Mr Baker laid out the main areas of US concern over the election issue. Mr Arens had replied that the Government had yet to reach a final plan.

He and Mr Shamir have been thrashing out proposals - based on an outline announced by the Prime Minister last month - with the leading Labour members of the

coalition, Mr Shimon Peres, the Finance Minister, and Mr Yitzhak Rabin, the Defence Minister.

The US has now clearly signalled its desire to see a plan produced without delay and the high-level State Department delegation, led by Mr Dennis Ross, is due to arrive in Israel tomorrow direct from Mr Baker's talks in Moscow.

After meeting Israeli leaders, and possibly Palestinians from the territories, the Americans plan to visit Egypt and Jordan.

Israeli officials say Mr Baker's letter to Mr Arens made clear that the US expected elections in the territories to be held under international supervision, to include Arabs living in East Jerusalem and be linked firmly to the starting of negotiations on a final settlement with the Palestinians. Mr Shamir, leader of the right-wing Likud bloc, has publicly rejected the idea of formal international supervision, but government officials say a compromise involving some outside observers can be reached.

The issue of East Jerusalem may prove more intractable. Mr Rabin has proposed that East Jerusalem residents be able to vote elsewhere in the West Bank, but Mr Shamir has so far ruled out the participation of Jerusalem Arabs.

Panama alert

Continued from Page 1

mean that a company would have to disclose acquisition plans even before acquiring a small stake in the target or holding discussions.

The proposals allow an exemption in the case of disclosures which would harm a company's legitimate interests, but add the requirement that domestic authorities such as the stock exchange be informed instead. The rule would mean stock exchanges having to safeguard price-sensitive information, a role many are unwilling to assume.

80% of workers suffer from it. It can reduce productivity by up to one fifth.

In 1987, a Californian man was awarded \$643,000 because of it. It's called the Sick Building Syndrome.

And in today's issue of The Economist, we look at the causes, the cures and some ways of preventing it that are radical and thought-provoking.

At least, we think they are. Some of us have been feeling a little off-colour lately.

The Economist

WORLD WEATHER

Amsterdam	12	15
Algiers	18	22
Atlanta	18	22
Bahia	22	28
Bangkok	28	32
Bombay	28	32
Buenos Aires	12	18
Calcutta	28	32
Cardiff	12	15
Chicago	12	15
Cairo	22	28
Canberra	12	15
Cebu	28	32
Delhi	28	32
Dublin	12	15
Hankow	12	15
Hong Kong	22	28
London	12	15
Los Angeles	12	15
Madras	28	32
Manila	28	32
Medan	28	32
Perth	12	15
Rangoon	28	32
Singapore	28	32
Sydney	12	15
Taipei	22	28
Tokyo	12	15
Yokohama	12	15

Fierce reaction to insider dealing plans

Continued from Page 1

not been made public - and the obligation to disclose it. London bankers argue that the restrictions would require an investment bank advising a company on an acquisition to ignore its own "Chinese walls" and order its trading arm to stop dealing in the securities of both firms.

Some countries wish to draw a distinction between insider traders with primary access to information - for example an investment banker who abuses information to which he has direct access - and those with

Stocks

Amsterdam	12	15
London	12	15
New York	12	15
Paris	12	15
Tokyo	12	15

INTERNATIONAL COMPANIES AND FINANCE

Hugo Boss pays more, plans scrip and rights

By Andrew Fisher in Frankfurt

HUGO BOSS, the West German luxury car group, yesterday gave details of its promised dividend increase after a sharp rise in profits for 1988 and said sales had shown a further advance in the first few months of 1989.

Holders of the quoted preference shares will receive a DM22 payment compared with DM20 the previous year, while the dividend on the ordinary shares will be DM20 against DM18 a share.

Boss, which has already said that net profits last year rose by 49 per cent to DM33.8m (\$18m), is also making a one-for-three scrip issue.

The Boss brothers, Uwe and Holger, currently hold all of the ordinary shares, but are selling 20 per cent of this stock for personal reasons, including future inheritance taxes, and to create a wider market in the equity.

The ordinary shares would be priced at DM1.720 apiece, Boss said yesterday. This will raise DM50m for the brothers, with the shares to be issued by a consortium led by Commerzbank on May 16 and 17.

The price compares with a price of DM1.545 for the preference shares yesterday, down by DM19 on the previous day. Terms of a planned rights issue will be revealed later, with the proceeds helping to pay for the recent purchase of Joseph & Feiss, the US clothing firm. With the acquisition, Boss will have a US turnover of around \$200m.

Total group sales last year increased by 14 per cent to DM536m; foreign business was 42 per cent higher, accounting for two-fifths of the total. But domestic sales stagnated as a result of the decision to reduce retail outlets and prevent damage caused by discount trading in Boss products.

BMW, the West German luxury car group, reported unchanged provisional parent company net profit of DM75m (\$17.4m) in 1988. The group plans to pay an unchanged dividend of DM12.50 per share, writes Our Financial Staff. Group results were not given.

State speeds up FF1.5bn Crédit Lyonnais funding

By Paul Betts in Paris

THE FRENCH Government has decided to accelerate the injection of new capital funds into Crédit Lyonnais to enable the large nationalised bank to meet the Cooke Committee prudential ratio requirements.

Mr Pierre Bérégovoy, the Finance Minister, announced last night that he had asked the Caisse des Dépôts et Consignations, the state-owned credit institution, to subscribe to a FF1.5bn (\$233m) capital increase for Crédit Lyonnais.

Mr Bérégovoy indicated that

further capital increases would be backed by the Government to help Crédit Lyonnais to meet its prudential ratio requirements between now and 1992, in line with the bank's increased lending.

Mr Jean-Yves Haberer, the new chairman of Crédit Lyonnais, had indicated in recent weeks that he was actively negotiating with his state shareholder ways to enable his bank to raise the necessary capital to meet the new ratios. As a nationalised bank,

Crédit Lyonnais is handicapped in tapping the financial markets for equity funds in contrast to privatised banks like Société Générale.

For this reason, the government has been working out new instruments and devices to enable state groups to raise fresh capital.

Crédit Lyonnais has reported a 7 per cent fall in net profits last year to FF2.06bn because of losses at its UK securities operations and a surge in provisions for bad debts.

SGS confident of record net earnings for year

By William Dullforce in Geneva

SOCIÉTÉ GÉNÉRALE de Surveillance, the Swiss inspection services group, expects to improve this year on 1988's record net earnings of SF124.6m (\$73.7m), Mr Philippe de Weck, its chairman, said yesterday.

First-quarter results were ahead of those for the first three months of 1988 and in line with the forecast. Mr de Weck noted, however, it was the last quarter that traditionally exerted the greatest impact on group returns.

SGS, the world's biggest control and pre-shipment inspection group, rebounded from a 1987 setback to record a 7.4 per cent increase in fees to SF1.65bn in 1988 and posted a 17 per cent climb in consoli-

dated net profit. The ratio of net earnings to fees at 7.4 per cent was the highest for 10 years. Earnings per share came out at SF1276 compared with SF1236 in 1987 and SF1258 in 1988. The proposed dividend rises from SF93 to SF105 a share.

Mr Patrick Rich, its new managing director, has reorganised SGS over the past two years, decentralising management responsibilities, introducing a quality programme based on Japanese techniques and building up new activities.

The latest growth within the group has been in financial and insurance services where fees advanced, mainly by acquisitions, from SF14m in 1981 to SF130m last year.

Gateway sees profit of £213.7m

By Nikki Tait in London

GATEWAY, Britain's third largest food retailer which is fighting a £1.73bn (\$2.87bn) hostile leveraged bid from the newly-formed Isoceles company, yesterday estimated a pre-tax profit of £213.7m in the 52 weeks to April 29 and claimed it demonstrated the "adequacy of the offer."

The figure compares with £185.8m recorded in the previous 53-week period.

Unusually, Gateway has released the figures 24 hours ahead of its first formal defence document.

It said it wished investors and the market to concentrate on trading progress before moving on to arguments involved in the bid.

The figures are better than the £190m to £200m that most analysts were predicting, but some were suggesting yesterday that the discrepancy was largely due to a lower than expected interest charge, with the actual trading results only slightly ahead of forecasts.

Gateway shares closed unchanged at 155p, in line with the Isoceles cash offer. The estimated trading profit from Gateway Foodmarkets, the core UK supermarket and superstore business, plus the Medicare chain is £190.5m (£17.1m).

Lex, Page 20; Asda stake, Page 28

Buoyant opening quarter for Sandvik

By Robert Taylor in Stockholm

SANDVIK, the Swedish cemented carbide and special steels group, yesterday announced an 18 per cent rise in first-quarter profits (after financial items) to SKr705m (\$109.4m) from SKr600m a year earlier.

The value of Sandvik's order books rose by 16 per cent to SKr5.1bn over the year to end-March, while invoiced sales continued to grow impressively from SKr4.66bn to SKr3.85bn.

Yesterday the group said the strong sales position would be maintained throughout 1989. It expects invoiced sales to reach SKr18bn to SKr19bn, against SKr16.4bn in 1988.

Sandvik also made it clear that profits (after financial items) for the whole of 1989 should be as high as last year when they totalled SKr2.81bn.

However, to judge by yesterday's figures the group may be taking a rather over-cautious view of its profit prospects for 1989.

A breakdown of Sandvik's performance in its different divisions underlines the buoyancy of the market.

Steel division sales jumped 33 per cent from SKr1.53bn to SKr1.64bn in the first quarter from a year earlier, while in the cemented carbide division sales rose 18 per cent from SKr2.15bn to SKr2.41bn.

Sandvik said that "even if the consumption-driven element in the boom would appear to have passed its peak, there is at present a strong investment current that is boosting demand for a large proportion of the group's products."

Mr Per-Olof Eriksson, president, told shareholders that the results would enable Sandvik to "consider an increased range of alternatives for future action."

Esselte, the Swedish office equipment concern, suffered a fall in first-quarter profit (after financial items) to SKr191m (\$29.7m) from SKr217m. But the directors repeat earlier forecasts of 19 per cent growth on 1988's profit of SKr22m.

HDTV report urges US to view wider picture

Louise Kehoe on calls for government funding

THE US electronics industry's proposal for a \$1.55bn government-sponsored programme to capture the lion's share of the anticipated \$40bn market for high definition television (HDTV) products, received a muted response in Washington this week.

HDTV supporters in the capital had hoped that the industry would submit a relatively simple proposal for one or more industry consortia, to be jointly funded by member companies and the US Government.

Instead, what the industry has presented to Congress is a far more complex and politically-sensitive scheme to rebuild the US consumer electronics industry, based on an unprecedented level of US Government-industry collaboration.

The problem, it appears, is that US electronics manufacturers are not prepared to commit to investments in HDTV development and manufacturing unless and until the Government is willing to underwrite their efforts.

Industry officials said the formation of one or more industry consortia now appeared to be premature. Some companies were interested, but awaited a high-profile industry leader. Strong leadership from the Administration would motivate the formation of such industry consortia, they added.

The industry report's authors provide a blueprint for the formation of a major new manufacturing industry sector. First, the report suggests, the

US Defence Department should provide \$300m in research and development grants to US companies and groups of companies in order to "plug the gaps" in the existing US technology base.

Central to the plan is the formation, this year, of "ATV Corporation," a government-appointed management group representing industry, academia and government, to guide overall advanced television strategy. ATV would administer a film programme of government loans and loan guarantees and also receive funding from the US electronics industry.

In 1991-1994 the plan envisages the formation of several "ATV ventures" backed by government loans and private investment to begin the design and manufacture of HDTV products and components.

Also in this time frame, the plan calls for ATV to support the formation of an advanced video cassette recorder manufacturing venture.

ATV would also manage major marketing programmes designed to entice consumers to buy HDTV receivers and related products.

The scope of the plan is huge, raising serious concerns about its ultimate cost. Some industry analysts fear that HDTV would require long-term government support well beyond that proposed in the industry plan.

Yet it is clear that without government support US companies would be reluctant to undertake any significant investment in HDTV.

"US companies lack advanced television technologies and the related manufacturing, marketing, supplier and distribution infrastructures," the report states. "They face multi-national company consortia in Europe and a similar effort in Japan, where government is supporting... various initiatives."

An industry-government partnership is essential because profit margins in the HDTV industry are expected to be very low and the investment required to build up an industry infrastructure is very high, the report states.

There is no assurance that US consumers will want to buy expensive new HDTV sets. Why then should the US Government undertake a massive effort to promote HDTV?

What is at stake, electronics industry officials claim, is far more than a new generation of television sets with higher quality pictures. HDTV, they say, represents a fundamental new imaging technology with long-term and far-reaching competitive implications "that will eventually impact the entire electronics industry, the largest manufacturing sector in the US economy."

Most electronics experts agree that eventually there will be a merger of communications, computers and entertainment technology. Opinions differ, however, on whether the leaders in computer or consumer electronics stand to gain as the industries merge.

What few doubt is the industry claim that "the resulting electronics-based industries may well underlie the world's economy and shape its political organisation in the 21st century." The US, they argue, cannot afford not to enter the HDTV business.

WestLB declines 15.2%

By Haig Simonian in Frankfurt

GROUP PARTIAL operating profits at Westdeutsche Landesbank (WestLB), West Germany's fourth biggest bank, fell by 15.2 per cent to DM793m (\$417m) last year from DM935m in 1987 as a result of lower interest earnings and appreciably higher costs.

Group full operating profits, which included gains from trading on the bank's own account, declined by a lower margin to DM930m, from DM1bn in 1987, thanks to improved trading profits,

according to Mr Friedel Neuber, WestLB's chief executive. Group earnings in the first quarter this year continued the downward trend, with a fall in full operating profits to under DM200m, from DM240m for one quarter of 1988, he said. As a result, the bank forecast that full group operating profits for the full year were likely to be about DM100m less than in 1988, largely on account of the rise in domestic interest rates.

Group total assets increased by 8.2 per cent to DM165bn.

NatWest lifts stake in Spanish unit

NATIONAL Westminster Bank is to increase its stake in Banco NatWest March, its Spanish banking subsidiary, to 83.6 per cent from 47 per cent, writes David Lascelles, Banking Editor.

The subsidiary's name may also be changed to reflect the new ownership structure.

NatWest is acquiring the additional stake from Grupo

March which also previously had 47 per cent (the remainder is owned by management). As a result, the Grupo March stake will fall to 10 per cent.

The acquisition follows the relaxation by the Bank of Spain on temporary limits on foreign bank ownership imposed after crises earlier this decade. The acquisition by Grupo March of Banco Urquijo

Union, a competing bank, had also strengthened the case for a restructuring of ownership.

The price of the deal was not disclosed, but reports in Madrid cited a sum of Pta15bn.

Banco NatWest March has 167 branches. It registered pre-tax profits of Pta2.29bn (\$12.2m) for 1988 and had total assets of Pta261.7bn at end-1988.

New Issue

All these securities having been sold, this announcement appears as a matter of record only.

May, 1989

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April 1989



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INTERNATIONAL COMPANIES AND FINANCE

Newmont shuffles debt in Gold Fields defence move

By James Buchan in New York

NEWMONT MINING, the large US gold producer just under half owned by Consolidated Gold Fields of the UK, plans to transfer \$425m in debt from its own books to its coal subsidiary, Peabody Coal.

The plan, which will give Newmont cash reinforcements in the thick of a furious battle for control of Gold Fields, intrigued and puzzled Wall Street and the City of London yesterday. It was not clear whether the money would be used to reduce Newmont Mining's crippling debt burden or to help Gold Fields, which is trying to fight off a \$3.5bn (\$5.24bn) takeover from Minnoco, a South African controlled investment group.

A New York court yesterday put on hold a request by Newmont Mining that it declare Minnoco in contempt of court. Newmont is trying to block the

Minorco takeover of Gold Fields in the US courts, on anti-trust grounds.

Newmont, which owns 69.97 per cent of Peabody Coal, said yesterday the coal group would buy out its four minority shareholders for about \$18m. Boeing Bechtel Investments and Eastern Enterprises, each with 15.01 per cent, have agreed to sell, while a fourth shareholder is considering the offer.

Newmont Mining will then take a \$40m special dividend out of Peabody and sell 50.03 per cent of the company to the Wall Street firms advising on the transaction, Salomon and Shearson Lehman Fenton. The two firms are paying only \$25m for their half because the coal company, though it is profitable at a rate of about \$100m a year, will be plunged deep into

debt by the recapitalisation.

At the end of the transaction, Newmont will still own 49.97 per cent of Peabody Coal.

The deal will provide much needed cash to Newmont, which has been struggling with a devastated balance sheet since it borrowed more than \$2bn to escape a takeover in 1987. Mr Gordon Parker, chairman of the Denver-based company, said the deal would "pay down a significant portion of Newmont's debt."

Newmont stock rose 3 1/2 to \$41 yesterday morning as Wall Street mulled the proposal.

"The big question is what are they going to do with the money," said Mr Ronald Shorr, an analyst at Bear Stearns.

Mr Blake Thomas, a Kansas investment adviser, said: "They could have done this any time. Why do they choose now to improve their balance sheet?"

Chemical sets sights on MCorp's 20 banks

By Karen Zagor in New York

CHEMICAL BANKING, holding company for the sixth largest US bank, has said it is seriously considering making a bid for the 20 Texas-based MCorp banks which were seized by the Federal Deposit Insurance Corporation in March.

The MCorp banks, which have been called the Deposit Insurance Bridge Bank since the FDIC seizure, have assets of about \$13m, making Bridge Bank the third biggest Texas banking company.

The logic behind Chemical's bid is that the Houston-based Bridge Bank would complement Chemical's Dallas-based Texas Commerce, which the New York bank acquired in 1987 for \$1.15bn.

Chemical, like the other potential bidders for Bridge Bank, is hoping that the Texas economy will recover from the plunge in oil prices in the mid-1980s.

Chemical has already completed one big acquisition this year. In January it bought Horizon Bancorp of New Jersey for \$650m. The New Jersey bank has assets of about \$4.5bn.

Other possible industry suitors for the failed banks include First City Bancorp of Texas, Wells Fargo of California, Banc One of Ohio and NCNB, the North Carolina bank.

MCorp has also attracted interest from Kohlberg Kravis Roberts, the US takeover specialist, and the Pritzker family of Chicago.

The banks were seized by the FDIC after they were declared technically insolvent by the Office of the Comptroller. MCorp, which was left with five banks, filed for protection under Chapter 11 of the US bankruptcy law.

Mr William Seidman, FDIC chairman, said he would like to see the process completed by July.

US press reports gave May 22 as the date when bids would be accepted for the MCorp banks. The FDIC would neither confirm nor deny that date.

Esso Italiana hits at government delay on lead-free prices

By John Wyles in Rome

ESSO ITALIANA, the subsidiary of the US energy group, yesterday cast an unusual vote of no-confidence in the Italian Government, saying it would no longer launch any medium- or long-term investments on the basis only of political assurances that certain policies will be put in place.

Mr William Barnes, the company's president, and his senior colleagues were in bitter mood as they unveiled 1988 results, which showed a recovery from the L57bn (\$48m) losses of the year before.

Although sales remained virtually static at L3,130bn, against L3,117bn in 1987, the company showed a net profit of L20bn, which management said should be read as break-even because L21bn had been raised through asset sales.

Esso's strongest complaints against the Italian Government arise from the fact that petrol pump prices remain subject to official controls.

The company says it has invested L100bn in new plant to produce lead-free petrol, partly on the basis of official undertakings given in 1985 that a price differential in favour of lead-free petrol would be introduced by April this year.

The lead-free plant is standing silent, however, because "nothing is being done to encourage the consumption of lead-free petrol, the true precondition for a less polluting motor car population," said Mr Barnes.

Mr Giorgio Ruffolo, the Environment Minister, said last

week he would bring a proposal to cabinet to give lead-free a price advantage "within the next week or two."

However, the failure to do so sooner "damages a relationship of trust which must exist in a modern economy between the industrial world and the institutions," commented Mr Barnes. He added that Esso would delay anything other than short-term investments until government energy policy decisions were translated into firm policies.

The company's other charge is that the Government is failing to act according to a law which requires it to authorise increases in petrol pump prices in line with average price changes in five other European countries. The most recent weekly index required an L18 per litre price rise, but the government authorised only L14.

Commenting on the 1988 results, Mr Edgardo de Pedys, the company's vice president, said financial charges had risen from L61bn in 1987 to L81bn because of the size of losses in 1987, and also partly because Italian interest rates had been pushed up to the highest level among industrialised countries.

The final complaint was the requirement that production taxes should be paid before the producing company had recovered them from its customers.

Agip, Italy's state-owned petroleum company yesterday reported a fourfold rise in profits to L503bn on sales of L8,860bn - some L633bn lower than in 1987.



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Farmers applies for exemption from price cuts

By Nick Bunker

LOS ANGELES-based Farmers Group, part of the UK's BAF Industries, has joined the queue of insurers sending in formal applications for exemptions from the 20 per cent premium rate roll-backs required under California's Proposition 103 insurance price cutting measure.

In doing so, Farmers revealed how unprofitable some of its underwriting has been, by throwing open its books in evidence to the California insurance commissioner.

Even after adding in investment income, the insurance exchanges managed by Farmers made a profit on California automobile policies in only one year since 1984. Farmers said the filing was an opportunity "to demonstrate the fairness of our current rates," which it wants to retain.

Last week, the California Supreme Court ruled that insurers can be exempted from the roll-back if they prove that implementation would deny them a "fair rate of return."

Lorenzo's hopes rise with Eastern shuttle bid war

By Roderick Oran in New York

MR FRANK LORENZO'S hopes of hanging on to at least part of Eastern Air Lines have risen with the prospect of a bidding war for the carrier's shuttle service and routes to buy other assets.

The offers, which a New York bankruptcy court will consider next week, would put Mr Lorenzo, chairman of Texas Air, Eastern's parent company, about half-way towards his goal of selling \$1.8bn of the bankrupt carrier's assets.

He wants to substantially slim down Eastern so it can resume full service and leave the protection of the bankruptcy court. The presiding judge has been trying to encourage bidders to buy the complete airline in case Mr Lorenzo fails to develop a credible restructuring plan. A two-month-old strike by its mechanics, backed by its pilots, has forced it to virtually shut.

The highest offer to date is by America West Airlines, a new, fast expanding carrier based in Arizona. For Eastern's Boston-New York-Washington shuttle, it has raised its offer to \$415m for ground facilities

and 21 aircraft. Alternatively it would pay \$38m for the facilities alone leaving Eastern to raise up to \$38m from selling the aircraft separately. America West also wants to buy 10 Boeing 757 airliners from Eastern for \$330m.

It had earlier bid \$30m for the shuttle complete, with aircraft and \$30m for the 757s, topping a \$30m bid for the shuttle's ground assets and 21 jets from Mr Donald Trump, the New York investor.

Mr Trump was on the verge of completing the deal before Eastern filed for bankruptcy protection. The court must now choose the offer best for Eastern's creditors, giving America West a change to beat Mr Trump. His colleagues have said he will not raise the offer but Wall Street doubts he will walk away from the deal.

In other bids, USAir has offered \$525m for 15 757s, three US-Canadian routes, a number of airport gates and two maintenance depots. The only bid so far for all of Eastern is Mr William Howard, former chief executive of Piedmont Airlines.

LTV-Sumitomo plan mill

LTV, THE second largest US steelmaker which is operating under Chapter 11 of the US bankruptcy code, plans to build a \$200m steel finishing mill in a joint venture with Sumitomo Metal Industries of Japan, writes James Buchan in New York.

The deal, the latest in a five-year string of US-Japanese steel joint ventures, will set up an electrogalvanising plant in Columbus, Ohio. The plant will deliver 340,000 tons a year of corrosion-resistant sheet to the

motor industry, including Japanese "transplants."

The two companies are already operating an electrogalvanising plant in Cleveland.

Mr David Hoag, chief executive of LTV's steel division, said: "The partnership between LTV Steel and Sumitomo again demonstrates our fundamental commitment to our automotive customers, both American and Japanese, to invest in the facilities and technologies needed to meet their changing requirements."

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Enjoy reading your complimentary copy of the Financial Times when you are travelling on scheduled flights from...

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- ... ROTTERDAM with NLM

FINANCIAL TIMES
LONDON & BOSTON

NEW ISSUE

May, 1989

TOKYO TATEMONO CO., LTD.

U.S. \$200,000,000

4 1/4 per cent Notes due 1993

with

Warrants

to subscribe for shares of common stock of Tokyo Tatemono Co., Ltd.

ISSUE PRICE 100 PER CENT.

Daiwa Europe Limited

Fuji International Finance Limited UBS Phillips & Drew Securities Limited

Yamaichi International (Europe) Limited

LTCB International Limited Nomura International

Yasuda Trust Europe Limited

Citicorp Investment Bank Limited Commerzbank Aktiengesellschaft

Cosmo Securities (Europe) Limited Crédit Lyonnais

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Morgan Grenfell & Co. Limited The Nikko Securities Co., (Europe) Ltd.

Nippon Credit International Limited Nippon Kangyo Kakumaru (Europe) Limited

J. Henry Schroder Wagg & Co. Limited

NEW ISSUE

This announcement appears as a matter of record only.

May, 1989

DAIKEN TRADE & INDUSTRY CO., LTD.

U.S. \$100,000,000

4 1/4 per cent. Guaranteed Bonds Due 1993

with

Warrants

to subscribe for shares of common stock of Daiken Trade & Industry Co., Ltd.

Payment of principal and interest being unconditionally and irrevocably guaranteed by

The Sumitomo Bank, Limited

ISSUE PRICE 100 PER CENT.

Daiwa Europe Limited

Sumitomo Finance International

Sumitomo Trust International Limited ANZ McCaughan

Banca del Gottardo Banque Paribas Capital Markets Limited

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Wako International (Europe) Limited Westdeutsche Landesbank Girozentrale

Yamaichi International (Europe) Limited

N.V. Koninklijke Nederlandsche Petroleum Maatschappij
 [Royal Dutch Petroleum Company]
 Established at The Hague, The Netherlands

Final dividend 1988

The General Meeting of Shareholders of Royal Dutch Petroleum Company held on 11th May, 1989, has decided to declare the final dividend for 1988 at N.fl. 4.10 on each of the ordinary shares with a par value of N.fl. 5. The total dividend for 1988 will thus amount to N.fl. 7.10 per share, including the interim dividend of N.fl. 6.00 already made payable in September 1988, corresponding to N.fl. 3.00 after the split into shares with a par value of N.fl. 5.

In the case of holders of bearer certificates with coupons this final dividend will be payable against surrender of coupon No. 193 on or after 23rd May, 1989, at the offices of:

N.M. Rothschild & Sons Limited,
 New Court, St. Swithins Lane,
 London EC4P 4DU
 on business days between the hours of 9.30 a.m. and 2 p.m.

As already announced in January 1989, holders of certificates for bearer shares with a par value of N.fl. 10 provided with dividend coupons 185 to 197 inclusive must exchange them for new certificates for bearer shares with a par value of N.fl. 5 in order to be eligible for the final dividend in respect of 1988. For the purposes of the exchange holders may contact the office of the above-mentioned bank.

Payment will be made in sterling at the buying rate of exchange current in London at 2 p.m. on 16th May, 1989, in the case of coupons presented on or before that date, or on the day of presentation in the case of coupons presented subsequently. Coupons must be accompanied by a presentation form, copies of which can be obtained from N.M. Rothschild & Sons Limited.

For shares of which the dividend sheets were, at the close of business on 11th May, 1989, in custody of a Depository admitted by Centrum voor Fondsenadministratie B.V., Amsterdam, this final dividend will be paid to such Depository on 23rd May, 1989. Such payment will be made through the medium of N.M. Rothschild & Sons Limited, after receipt by them of a duly completed CF Dividend Claim Form.

Where under the double tax agreement between the United Kingdom and the Netherlands, 15 per cent Netherlands dividend tax has been withheld, the 15 per cent Netherlands tax is allowable for a resident of the United Kingdom as a credit against the United Kingdom income tax payable in respect of the dividend. The deduction of United Kingdom income tax at the reduced rate of 10 per cent instead of at the Basic Rate of 25 per cent represents a provisional allowance of credit at the rate of 15 per cent.

Where appropriate, the usual affidavit certifying non-residence in the United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax at the basic rate.

The Hague, 12th May, 1989.
 THE BOARD OF MANAGEMENT

INTERNATIONAL COMPANIES AND FINANCE

HK keeps Bond's name in lights

John Elliott on how property deal proceeds may head for Australia

Hong Kong's 46-storey Bond Centre, which became wholly Japanese owned in a deal struck on Wednesday night, will continue to carry the name of Mr Alan Bond, the Australian entrepreneur, at least until June 30, 1987 when the colony reverts to Chinese sovereignty.

Mr Bond secured this symbolic date in a surprise agreement with EIE Development (International), the Hong Kong arm of a Tokyo development company.

EIE has paid Bond's Hong Kong company just under HK\$2.26bn (US\$289.7m) for the half of the office development it did not already own. The name is meant to stay even if EIE sells the building.

Bond executives in Hong Kong and Australia are now considering how to transfer some of all of Bond's HK\$1.76bn proceeds from the deal to the beleaguered Bond Corporation Holdings in Australia, which has a debt mountain upwards of A\$5bn (US\$4bn).

"The deal shows the willingness of the group to sell assets," said Mr Peter Lucas, managing director of Bond Corporation International (BCIL) of Hong Kong which is 66 per cent owned by the Perth-based Bond Corporation.

"We have cash in our hands but no decision has been made on what to do with it, though there is pressure on the Australian company to demonstrate its financial capacity."

Mr Lucas said that one possibility was for BCIL to purchase assets from the Australian company. Another route would be to pay a large dividend, although this would also have to be given to BCIL's 34 per cent minority shareholders.

Bankers suggested that Bond Corporation and BCIL could also form a joint venture using BCIL finance and the parent's assets, or that Bond Corporation could borrow funds from BCIL.



Hong Kong's 46-storey Bond Centre valued by the deal at HK\$5.65bn

HK\$5.65bn and EIE has agreed to pass on one third of any excess if it sells all or part of the centre within six months of completion. Most property experts said yesterday this was a good price for so large a property. Two local companies, including New World Development, are believed to have offered a lower figure. Some stockbrokers felt, however, that in Hong Kong's booming property market Mr Bond should have stood out for more.

After allowing for HK\$1.1bn of external debt on the whole of this building, BCIL's proceeds amount to HK\$2.26bn less a further HK\$500m of its own debt. This means it will realise HK\$1.76bn, of which HK\$1bn is to be released when bridging facilities have been arranged on or before the final completion date of June 26.

BCIL now has no significant assets in Hong Kong. It owns 50.2 per cent of a Chilean telephone company, 50 per cent of an Italian property development site in Rome, and 85 per cent of a south China brewery.

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Mr Bond is not popular with his BCIL minority shareholders following an unsuccessful attempt to buy them out. The minority holders could now want to exert collective pressure on him over what happens to the proceeds when an extraordinary meeting is called to approve the sale.

But their potential may well have been weakened because HKR Properties, a local development company which spearheaded the minorities' cause, said yesterday that it had disposed of most of its stake and was no longer a significant shareholder.

The deal values the Bond Centre at

Mr Lucas said: "No special reason - it's about 10 years away".

BCIL also has an 18-year lease on two floors of part of the Bond Centre and a joint venture management contract on the building with First Pacific Davies (Hong Kong) which continues.

But while the name Bond may continue to be seen in neon lights on top of what is one of Hong Kong's most architecturally impressive buildings, the local stock market yesterday gave its response by marking down BCIL shares from HK\$2.575 to HK\$2.125 on a day when the local Hang Seng index reached a post-crash high of 3,295.98.

Holmes à Court raises bid for Sherwin

By Chris Sherwell in Sydney

THE BATTLE for Sherwin Pastoral, the big Australian livestock and rural property group, sharpened further yesterday when the entrepreneur Mr Robert Holmes à Court suddenly topped a newly-raised offer from Bankers Trust Australia.

At the same time Mr Holmes à Court and two Bankers Trust nominees secured seats on

Sherwin's board after ousting its ally Mr Peter Sherwin, the founder. The moves came at the group's AGM.

The offer from Mr Holmes à Court, who already holds 19.9 per cent of Sherwin, was A\$1.15 per share, which values the group at just over A\$94m (US\$66.6m). Bankers Trust, which has around 23 per cent, had this week lifted its bid to

A\$1.12 from A\$1.02.

This was itself an increase on its earlier bid of A\$1.05, which in turn topped a conditional offer by Mr Holmes à Court of A\$1.02 and an Elders IXL offer of just 88 cents a share, both of which lapsed.

Mr Sherwin has held on to his 33.5 per cent share of the company and continues to fight a rearguard action. Yesterday's events make it increasingly likely that he will lose control.

Sherwin's disappointing performance stands in sharp contrast to its counterpart, Stanbroke Pastoral, which is owned by the AMP and recently announced a record after-tax profit of A\$10.5m for the year to December and delivered a handsome A\$10m dividend.

Koito moves to stave off Boone

By Stefan Wagstyl in Tokyo

KOITO Manufacturing, the Japanese vehicle lighting company in which Mr T. Boone Pickens, the Texas corporate raider, has taken a 10m-plus stake, has reinforced its anti-takeover defences.

The Japanese group has appointed six new directors to its board to impress on Mr Pickens his intention to stay out of his control. Mr Pickens, who has bought a 20.2 per cent stake in Koito through his private investment company Boone Co, had earlier asked for board representation.

Koito turned down this demand. This week it also rejected a request by Boone to send more than one representative to the Koito annual meeting due to be held on June 23. Koito is closely affiliated to Toyota Motor, Japan's largest

car maker, which holds a 19 per cent stake and nominates three board members.

Meanwhile, Boone this week rejected a request from Koito asking for details about how it acquired its stake. Boone said there was no US regulation requiring such disclosure so Koito's request was discriminatory.

Boone acquired its 32.4m shares from Mr Kitaru Watanabe, a Japanese stock market raider who heads Azabu Motor and Azabu Construction, car import and property companies. Mr Watanabe earlier unsuccessfully tried to sell his stake to Toyota in a greenmail operation. It is widely believed in Tokyo that Mr Watanabe's sale of shares to Boone is couched by a repurchase agreement.

Meanwhile, the Ministry of Finance is continuing to investigate the way in which Azabu Motor acquired its stake in the first place. The ministry believes Azabu infringed a law which came into effect last October, requiring holders of stakes of 10 per cent and more to disclose them.

Azabu held some of its shares outright and some through margin transactions, in effect bought on credit at stockbrokers.

Nevertheless, the ministry suspects the 10 per cent level was breached before the shares passed to Boone.

Under the law, any profits made on the sale of illegally held shares made within six months of the purchase can be claimed back by the target company, in this case Koito.

Toyota Loom advances 21%

By Robert Thomson in Tokyo

TOYOTA AUTOMATIC Loom Works, the earliest of the Toyota Motor group of companies, yesterday reported a 20.8 per cent increase in annual pre-tax profit to Y22.07bn (\$164.2m), following strong domestic demand and a surge of 43.7 per cent in textile machinery sales to south-east Asian countries.

The company, whose interests include the manufacture of forklifts and the assembly of engines and vehicles, said sales rose 18.9 per cent to Y497.4bn in the year to March. Automobile assembly business was sluggish, though the automobile division was buoyed by demand for diesel engines, and reported an 11 per cent increase in sales.

Strong domestic demand was behind a 23.5 per cent rise in industrial vehicle sales, while revenue from automotive air-conditioner compressors rose 21.3 per cent. The company said profit figures were hindered by increased personnel

costs, foreign exchange losses and a smaller contribution from purely financial items.

Three years ago, Toyota Motor gave way to a greenmail attempt on Toyota Automatic Loom by Nippon Tochi, ostensibly a property group, which had acquired 17m shares in the company. Since then, the company has undergone rationalisation in which it has been aided by rapid growth in the domestic economy, as have other companies in the Toyota group.

Toyota Auto Body, an affiliate of Toyota Motor specialising in the assembly of compact cars and commercial vans, reported its first rise in profits since 1985, up from Y6.21bn to Y8.02bn before tax, and sales increasing from Y289.15bn to Y316.45bn. However, the company expects demand for vehicles to slacken this year, in particular for trucks, and is

predicting that pre-tax profits will increase only slightly to Y8.05bn.

Toyota Machine Works, a machine tool maker with Toyota Motor as its largest shareholder, announced that pre-tax profit for the year jumped 30.4 per cent to Y5.30bn on a 15 per cent increase in total sales to Y139.28bn. Sales of machine tools rose 14.7 per cent and of automobile parts 15.6 per cent.

Kanto Auto Works, a car assembler and another affiliate of Toyota Motor, reported a 21.7 per cent lift in pre-tax profit to Y6.64bn for its year to March. Sales increased 4.4 per cent to Y334.97bn, basically because of strong sales of Toyota vehicles in the Japan's private car market. Commercial sales fell during the period while, for the current year, total sales are expected to rise 4.5 per cent.

The Taiwan (R.O.C.) Fund
 International Depository Receipts evidencing Beneficial Certificates representing 1,000 Units

NOTICE

Notice is hereby given to the Distributors and the holders (the "DR-holders") of the International Depository Receipts (the "DRs") that, pursuant to the extraordinary resolution adopted by the DR-holders at the meeting held on April 15, 1989, the Taiwan (R.O.C.) Fund (the "Fund"), effective May 11, 1989, (a) declared a Cash Distribution of NT\$6.35 for each Unit outstanding on May 11, 1989, or NT\$6.3520 for each 1,000 Units represented by an IDR; and (b) declared a Bonus Distribution of 3 Bonus Units for each 1,000 Units represented by an IDR. Bonus Units for each IDR will be represented by a Bonus IDR, which will be represented by coupon no. 6 from the International Depository Receipts of the Fund.

The Cash Distribution will be made against presentation of coupon no. 5 from the International Depository Receipts of the Fund, and will be subject to applicable withholding tax and fees and the presentation of the required coupon and certificate of identity. A further notice will be published with respect to the manner in which the Cash Distribution may be collected.

Bonus IDRs will be separately tradeable from the International Depository Receipts. Until further notice, if an IDR-holder wishes to transfer Bonus IDRs, it will be required to do so by physical delivery of coupon nos. 6 and 7 and will need to address the IDRs held in Euro-clear or CEDEL S.A., as the case may be, in order to make such delivery.

The Taiwan (R.O.C.) Fund
 Morgan Guaranty Trust Company of New York, Branch Office as Depository
 167 Fx Hoing North Road
 17th Floor
 Taipei, Taiwan
 Republic of China

Attention: President Telephone number: 886-2-712-7702
 Telephone number: 886-2-712-3077
 Telex number: 13614 INTROST

Attention: Securities Department Telephone number: 886-2-508-8215
 Telephone number: 886-2-512-9777
 Telex number: 21752 MORRNS

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Yield	P/E
332	295	Asst. Brit. Ind. Ordinance	332nd	42	10.3	3.1
35	28	Amalgamated Building	28	0	2.1	6.8
33	25	S&B Devel Group (S&B)	30	0	2.7	2.6
173	141	Barclay Group (S&B)	273	0	6.7	6.1
110	105	Barclay Group (S&B) (S&B)	110nd	0	5.9	5.8
123	100	Brit. Ind. Ordinance	103nd	0	11.0	10.2
205	205	CCIL Group Ordinance	205nd	-5	14.7	4.9
176	168	CCIL Group 11% Conv. Pref.	176nd	0	14.7	8.4
195	180	Carlo 7.5% Pref. (S&B)	195nd	0	7.8	3.9
110	109	Carlo 7.5% Pref. (S&B)	110	0	10.3	9.4
387	355	Carlo 7.5% Pref. (S&B)	387	0	12.0	3.1
123	119	Carlo 7.5% Pref. (S&B)	123	0	14.7	15.2
174	115	Jackson Group (S&B)	174	-9	7.1	4.1
322	261	Millhouse NV (S&B)	307	0	10.3	10.1
107	98	Robert Jackson	105	0	7.5	7.1
465	403	Sherwin	465nd	0	18.7	4.0
288	276	Taylor & Carlisle	288	0	9.1	3.3
111	100	Taylor & Carlisle Conv. Pref.	111	0	10.7	9.6
122	92	Trevina Holdings (S&B)	108	-2	2.7	2.5
134	106	United Energy Conv. Pref.	114	0	8.0	7.0
395	355	Veterinary Drug Co. Plc.	395	5	22.0	5.4
378	327	W. F. Young	327nd	0	14.2	5.0

Securities designated (S&B) and (S&B) are dealt in subject to the rules and regulations of the Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA.

These Securities are dealt in strictly on a matched margin basis. Neither Granville & Co. Limited nor Granville Davies Limited are market makers in these securities.

CS CREDIT SUISSE CREDIT SUISSE FINANCE (PANAMA) S.A.

Notice to holders of 4% US\$ Bonds with Warrants 1987-97 of Credit Suisse Finance (Panama) S.A.

Warrants exercisable into CS Holding bearer shares
 (Swiss Security No. 804.880, No. 808.193 for the Warrants)

As notified on 11 April 1989 to the holders of 4% US\$ bonds with warrants 1987-87 of Credit Suisse Finance (Panama) S.A., on 2 March 1989 the Ordinary General Meeting of Shareholders of CS Holding and the Board of Directors of Credit Suisse approved the necessary measures for the restructuring of the CS Group. As part of this restructuring, an exchange offer was made to holders of Credit Suisse shares with attached participation certificates of CS Holding, the offer being open from 17 April to mid-day on 27 April 1989. The offer provided for conversion of each Credit Suisse share with attached CS Holding PC into 1.1 CS Holding shares of the appropriate category.

The Extraordinary General Meeting of CS Holding held on 8 May 1989 fixed the level of equity capital at Sfr 2 350 000 000, consisting of 4 500 000 registered shares each with a nominal value of Sfr 100, and 3 800 000 bearer shares each with a nominal value of Sfr 500.

Of these, 230 000 registered shares each with a nominal value of Sfr 100 and 224 000 bearer shares each with a nominal value of Sfr 500, all ranking for dividends as from 1 January 1989, are to be made available for a rights issue open to shareholders and participants of CS Holding. The offer will be open from 29 May to mid-day on 9 June 1989, and will enable shareholders of CS Holding to acquire 1 new share for every 15 shares held in the appropriate category, and participants of CS Holding to acquire 1 new share for every 150 PCs of the appropriate category, at par.

In connection with this rights offer, the aforementioned holders of warrants who, in accordance with the warrant terms, wish to apply for bearer shares of CS Holding (nominal value Sfr 500) and thereby become entitled to subscribe for new CS Holding bearer shares, are requested to make their application not later than 22 May 1989. 10 warrant certificates entitle subscribers to 1.1 bearer shares of CS Holding at a price of Sfr 3700.

Holders of warrants who do not elect to make use of their right to exercise the warrants will be compensated for the resulting loss of subscription rights to the share issue by an adjustment procedure described in the Terms and Conditions of the issue. The exercise price of the warrants will be adjusted with effect from 14 June 1989.

No warrants may be exercised during the period from 23 May 1989 to 13 June 1989. The new exercise price of the warrants is due to be published in this newspaper on 21 June 1989.

12 May 1989

Credit Suisse
 Credit Suisse Finance (Panama) S.A.

POWER PLANT EQUIPMENT

The Financial Times proposes to publish a Survey on the above on

6TH JUNE 1989

For a full editorial synopsis and advertisement details, please contact:

PENNY SCOTT
 on 01-873 3389
 or write to her at:
 Number One, Southwark Bridge
 London SE1 9HL

FINANCIAL TIMES
 EUROPE'S BUSINESS NEWSPAPER

Götabanken
 (Incorporated in the Kingdom of Sweden with limited liability)

U.S. \$50,000,000
Floating Rate Capital Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Period 15th May, 1989 to 15th November, 1989 has been fixed at 10% per annum.

The Coupon Amount in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$51750.

The Interest Payment Date will be 15th November, 1989.

Agent Bank
Samuel Montagu & Co. Limited

ALLIANCE LEICESTER
Alliance & Leicester Building Society
 £50,000,000

Subordinated Variable Rate Notes 1988

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest for the fourth Interest Period from 8th May, 1989 to 8th August, 1989 has been fixed at 13.1125% per annum. Interest payable on 8th August, 1989 will amount to £330.51 per £10,000 principal amount.

Merrill Lynch International Bank Limited
 Agent Bank

GREAT BELT A.S.
 (A/S Størebæltforbindelsen)

¥7,000,000,000

Floating Rate Notes Due 1994

Notice is hereby given that the Rate of Interest for the Interest Period from 9th May, 1989 to 9th November, 1989 is 4.98% per annum.

Interest payable on 9th November, 1989 will amount to ¥1,253,233 per ¥50,000,000 principal amount of the Notes.

Agent Bank
 The Long-Term Credit Bank of Japan, Limited
 Tokyo

MAGAZINE PUBLISHING

The Financial Times proposes to publish this survey on:

23rd June 1989

For a full editorial synopsis and advertisement details, please contact:

Neville Woodcock
 on 01-873 3385

or write to him at:
 Number One
 Southwark Bridge
 London
 SE1 9HL

FINANCIAL TIMES
 EUROPE'S BUSINESS NEWSPAPER

Bancomer
 Sociedad Nacional de Crédito
 (Incorporated in the United Mexican States with limited liability)

Formerly
Bancomer, S.A.
U.S. \$60,000,000
Subordinated Floating Rate Notes due 1986-1990

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six month interest period, 15th May, 1989 to 15th November, 1989 the Notes will carry an interest rate of 10 1/4% per annum. On 15th November, 1989 interest of US\$52.39 will be due per US\$1,000 Note against coupon No. 15.

Agent Bank
ORION ROYAL BANK LIMITED
 A member of The Royal Bank of Canada Group

Notice to Holders of TOYAMA CHEMICAL CO., LTD.
 (The "Company") Warrants to Redeem the Shares of Common Stock of the Company, Issued in Conjunction with the Issue of US\$50,000,000 14% Convertible Notes Due 1992

Consent of Notes Due 1992 in respect of the above warrants notice is hereby given as follows:

On 27th April, 1989, the Board of Directors of the Company resolved to make to shareholders of record as of 31st May, 1989, a free distribution of shares of its common stock at the rate of 0.1 new shares for one share so recorded.

As a result of the above free distribution, the Subscription Price (as defined in the Instrument dated 9th July, 1987, executed by the Company) of the above warrants per share of common stock will be adjusted pursuant to the provisions of Clause 3 of the Instrument as follows:

Current Subscription Price per share Yen 1,301.6
 Adjusted Subscription Price per share Yen 1,153.3

The said adjustment of the Subscription Price will become effective as from 1st June, 1989 (Japan time).

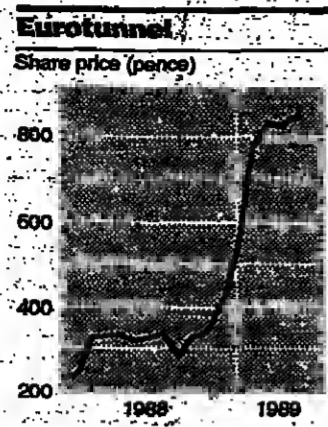
Toyama Chemical Co., Ltd.
 2-1-1 Nishimachi 2-chome
 Shinjuku-ku, Tokyo, Japan.
 12th May, 1989

INTERNATIONAL CAPITAL MARKETS

Eurotunnel units break new ground

Katharine Campbell on the latest tailor-made equity derivative

The nascent market in tailored equity derivatives products took another bold step forward this week with Salomon Brothers covering a warrant on Eurotunnel units...



issuers boasting a sufficiently good credit rating in investors' eyes. Salomon explained that the high price of existing warrants indicated a demand for a tailored vehicle for gaining exposure to Eurotunnel...

Eurotunnel venture make it a peculiarly appropriate vehicle for such warrants. For one thing, Eurotunnel is full of unknowns - including whether it will ever open...

For Salomon as the issuer, the route to profitability is successful risk management of its exposure to 4m Eurotunnel units. The most obvious hedging tool is clearly the units themselves...

Because the warrants are deeply out-of-the-money, the number of units Salomon would need to hold to protect their exposure at the moment would be low...

The technique of writing covered warrants can be a profitable way of helping finance a core holding of the upside gain. Mr Quintin Price, of options brokers James Capel, saw a wider field of issuers beyond the investment banking community...

Norsk Venture to have Nkr600m in initial capital

By Karen Fosell in Oslo

NORWAY'S state-backed venture capital group, aimed at promoting local industry, is to have an initial capital of Nkr600m (87.2m), the Government announced yesterday.

new companies with high growth potential in sectors which compete with foreign suppliers. The formation was first proposed last November.

Norsk Venture will have a two-fold investment strategy. The first is to invest in research and development for new technology projects and the setting up of companies, management, buy-outs and restructuring.

technical support for the Rs100m (\$6.3m) fund to be raised through the Venture Fund. Commonwealth Development Corporation of the UK and Asian Development Bank are to take a 12.5 per cent stake each...

Commission rejects NZSE rules

THE COMMERCE Commission has refused to authorise some New Zealand Stock Exchange rules because they substantially lessen competition, Reuters reports.

The commission said it had not approved an exchange rule on net asset backing requirements, a rule restricting members from association with another stock exchange, and a requirement that the majority of directors of member companies should be individual members of the exchange.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Country, Issuer, Maturity, Bid, Offer, Yield, and Change. Includes sections for US STRAIGHTS, OTHER STRAIGHTS, CONVERTIBLE, and SWISS FRANK STRAIGHTS.

FT Germany For details on how to advertise in the Financial Times, please contact: Financial Times (Germany) Advertising Ltd...

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE 11th May, 1989

TOYO SASH TOYO SASH CO., LTD.

U.S. \$500,000,000 4 1/2 per cent. Bonds due 1993

with Warrants to subscribe for shares of common stock of Toyo Sash Co., Ltd. Issue Price 100 per cent.

- Nomura International, Morgan Stanley International, Credit Suisse First Boston Limited, DKB International Limited, Marusan Europe Limited, Mitsubishi Trust International Limited, S.G. Warburg Securities, Banque Internationale a Luxembourg S.A., Barclays de Zoete Wedd Limited, BNP Capital Markets Limited, LTCB International Limited, Mitsui Trust International Limited, Nippon Credit International Limited, Salomon Brothers International Limited, J. Henry Schroder Wagg & Co. Limited, Swiss Bank Corporation, Westdeutsche Landesbank Girozentrale, Taiyo Kobe International Limited, The Nikko Securities Co., (Europe) Ltd., Daiwa Europe Limited, Kleinwort Benson Limited, Mitsubishi Finance International Limited, NatWest Capital Markets Limited, Bank of Tokyo Capital Markets Group, Banque Paribas Capital Markets Limited, Baring Brothers & Co., Limited, Deutsche Bank Capital Markets Limited, Merrill Lynch International Limited, New Japan Securities Europe Limited, Prudential-Bache Capital Funding, Sanyo International Limited, Shinyei Ishino Securities Company Limited, Tokai International Limited, Yamaichi International (Europe) Limited, Yamatane Securities (Europe) Limited

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NEW ISSUE 11th May, 1989

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U.S. \$250,000,000 4 1/2 per cent. Guaranteed Bonds 1993

with Warrants to subscribe for shares of common stock of Furukawa Co., Ltd. The Bonds will be unconditionally and irrevocably guaranteed by The Dai-ichi Kangyo Bank, Limited

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INTERNATIONAL CAPITAL MARKETS

US retail sales data help check Treasuries' decline

By Janet Bush in New York and Katharine Campbell in London

A SMALLER than expected gain in US retail sales in April helped the US Treasury bond market to arrest this week's decline.

GOVERNMENT BONDS

valled in advance of the 30-year bond auction. Bond prices had started out lower in anticipation of a strong retail sales release but had recovered by mid-session to stand as much as 1/4 point higher at the short end of the market.

The long end did less well, gaining only about 1/8 point. The Treasury's benchmark long bond underperformed other long-dated maturities ahead of the auction, the last in this week's quarterly refunding.

The long bond was quoted 1/8 point higher for a yield of 9.09 per cent.

Retail sales gained by only 0.4 per cent compared with forecasts of an increase of more than 1 per cent.

However, the market remained cautious in view of today's release of the April producer prices index which is expected to have risen by about 0.7 per cent, compared with 0.4 per cent in March.

Financial markets now seem less willing to react on any evidence of slower growth and to ignore evidence of a build-up in

inflation, which is now the principal focus of concern. Bonds were also kept under pressure because of the long bond auction yesterday afternoon.

The results of the three-year and the 10-year auctions were respectable but not particularly good and the market may struggle under this weight of supply.

A positive factor for bonds was another rebound in the dollar, which had jumped to Y135.15 and DML9125 by mid-session yesterday after some weakness on Wednesday.

ANOTHER addition to the steady stream of inflationary reports in Germany came yesterday in the form of April wholesale prices which were up 1.1 per cent. This brought the yearly level to 6.5 per cent - its highest level since mid-1982.

The figures contributed to the bearish trend in quite heavy trading of the bund contract on LfB, where the June contract closed 1 basis point off the lows of the day at 92.92, and 31 points down on Wednesday's settlement price.

Unexpectedly low retail sales figures emanating from the US curiously failed to dent the dollar's bullish mood and, having traded below DML91 for a spell, the US currency pushed above that level on the news that the April increase in the US was just 0.4 per cent. This exacerbated weakness in the German market.

THE French monthly auction, postponed because of last week's holiday, went better than anticipated, with a total of FF9.92bn of the top stock sold at yields below those in April.

The top 8 1/2 per cent Treasury stock yielded 8.88 per cent, 7 basis points below the previous month. The market, which had been weaker before the result, bounced back following significant covering of short positions.

The other principal factor influencing trading was the US retail sales data, which initially boosted the market in so far as it was seen as further evidence of slower consumer demand.

But the resilience of the dollar soon put paid to any optimism and the June contract on the Matif dipped below 106, although it firmed slightly by the close to 106.06, 18 basis points down on the day.

TRADING in UK gilt-edged securities was virtually at a standstill yesterday afternoon - exceptional even by the market's own somewhat standards.

The Bank of England quarterly bulletin, released after the market's close, contained at first glance little that would affect today's trading. The long gilt future closed just a lower than Wednesday at 95.03.

IN THE Netherlands bond prices reacted negatively to the dollar's performance, dropping 30 to 40 cents in thin trading. The recent state loan was priced 40 cents lower at 97.65.

In a letter to parliament, Mr. Onno Ruding, the Dutch Finance Minister, explained there had been no official leak to banks which had, a couple of weeks ago, bid for a surprisingly large amount of the most recent state loan which turned out to be very cheaply priced.

He did mention, however, that his agent had had a fairly extensive dialogue with the market about pricing. No formal investigation is to be launched.

Fitch to review borrowers' ratings

By Stephen Fidler

FITCH Investors Service, the US rating agency taken over last month by an investor group, said yesterday it would review all its existing ratings in a move that is expected to lead to a downgrading of some borrowers.

Mr. Dan Evans, the new president and chief operating officer, said each issuer rated by Fitch would undergo a review over the next six months. He admitted that Fitch ratings "have been a little bit on the liberal side."

Fitch, the oldest US rating agency, was founded in 1913 and had been owned by the Caccione family for almost 30 years. It was taken over last month by an investor group led by Mr. Russ Fraser, the treasurer and chief financial officer, and Mr. Robert Van Kampen. Mr. Fraser was a former president of Amback, a provider of financial guarantee insurance.

Fitch's ill-starred foray into the international markets ended in January, when it closed EuroRatings, which had attempted to establish itself as a European ratings agency.

The purchase price for Fitch was not disclosed but was said to be in the region of between \$10m and \$12m in cash and notes. Mr. Evans said an investment of about \$35m to \$50m was planned for the agency to allow it to compete on more equal terms with the main rating agencies, Moody's and Standard & Poor's.

The funds would be raised through issues of both equity and debt to investors through Shearson Lehman Hutton, which had already placed a portion of the securities.

Mr. Evans said the firm had already embarked on expansion plans - by next week it should have 50 employees, compared with 47 when the group took over, and "by 1990, we'll be double our present size."

In spite of the experience with EuroRatings, Fitch intended to have an international presence as part of its aim to be a full service ratings agency, although the first target was set out in US operations and expand its domestic product range, Mr. Evans said.

Stabilisation shown the red card

Norma Cohen examines one aspect of the insider trading laws

The International Primary Markets Association, the organisation representing new issue underwriters, says that stabilisation - the time-honored practice of keeping a new security close to its issue price - would become illegal under the European Commission's proposed directive on insider trading, if it were adopted in its current form.

To stabilise a security, underwriters buy or sell their own newly-issued stocks or bonds at prices around the initial offering level.

While in any other market the practice would be viewed as manipulation of prices, practitioners and regulators have consistently taken the view that, for securities with no trading history, it is a necessary activity.

Newly issued securities tend to have volatile price swings and stabilisation is seen as one way of instilling confidence in retail investors.

Indeed, the UK's own Financial Services Act specifically exempts stabilisation from the category of practices that can be viewed as market manipulation.

Ipma and the Association of International Bond Dealers, a trade organisation of Eurobond houses, spent several months last year drafting rules under which stabilisation could be conducted legally on UK exchanges.

Those rules have been in effect since early 1988. Since stabilisation only occurs during the so-called grey market period, before the securities have been paid for and delivered, its long-term

impact on prices is limited. At the heart of Ipma's fears lies the proposed directive's definition of inside information as that which has not been made public but, if it were, "would be likely to have a significant effect on the price of the transferable security or securities in question."

At that rate, Ipma officials say, an underwriter's mere intention to purchase a certain volume of stocks or bonds at a specific price in a stabilisation procedure becomes inside information.

The dilemma for underwriters is that if the information were to be disclosed it could have a material impact on the value of the securities, but revealing the price even more would be to disclose it had been before. But if the firm bought or sold securities without first disclo-

ing its intentions it could be found to violate the proposed EC directive forbidding inside trading.

Under UK laws, underwriters must simply announce at the launching of a new issue that they may stabilise prices if necessary.

Furthermore, various European governments, such as West Germany, routinely stabilise their own bonds during the initial issue period.

The EC directive includes a specific exemption for monetary, exchange rate or national debt management policies carried out by a sovereign state or its designees, presumably banks acting on its behalf.

But Ipma officials argue that if governments are allowed to indulge in insider trading, why should that privilege be denied to private enterprise.

Ladbroke switch in terms jars institutions

By Andrew Freeman

MUTED NEW issue activity was overshadowed on the Euromarkets yesterday by arguments among syndicate managers and investment institutions over the Ladbroke Eurosterling convertible issue attempted to establish itself as a European ratings agency.

The deal traded strongly after launch, rising to a premium at 100% before closing on Wednesday at 99 1/2 bid. However, several institutions, including leading UK insurance companies, reacted decisively to what they saw as unacceptable final terms and the coupon cut to 5% per cent, both of which were informed yesterday morning.

CSFB is understood to have bought bonds steadily in the market after news filtered through that several of the institutions had cancelled their subscriptions.

CSFB had launched the INTERNATIONAL BONDS £140m deal with an indicated coupon of 5% per cent and an indicated conversion premium of 18 per cent. Final terms saw the deal increased to £150m and the coupon cut to 5% per cent, both of which were judged as in line with normal

market practice. However, some institutions objected to the increase of the conversion premium from 18 per cent to 21 1/2 per cent. One leading UK insurer manager said: "This was not an approximate change - after that change in the terms, we were no longer being offered the same stock."

A CSFB official said there had been tough negotiations with Ladbroke on Wednesday night after the massive over-subscription of the deal. It is understood the company requested the final adjustments and that CSFB was advising a lesser adjustment.

CSFB was quoting the bonds on a spread of 99 1/2 to 99% and said the price had moved in line with Ladbroke shares, which fell slightly. The official said that support for the deal remained very strong and added that the change in the conversion premium meant very little in price terms.

Elsewhere, J.P. Morgan was the lead manager of a Platibn Matador deal for Eurofina. The five-year bonds came with a 12% per cent coupon and were quoted at 100.50 bid. In Germany yesterday prices fell after the poor wholesale prices figures were released to end around 1/4 point lower on the day.

A DMI100m seven-year deal with equity warrants for Gluz International, the timber supplier, was brought by BHF-Bank with a 7 per cent coupon. The deal had a good reception with the economic news, after which it fell to close at 124 bid, just inside underwriting fees of 2 1/2 per cent.

NEW INTERNATIONAL BOND ISSUES table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Book runner

BENCHMARK GOVERNMENT BONDS table with columns: Coupon, Red Date, Price, Change, Yield, Week ago, Month ago

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY table with columns: British Funds, Corporate, Dominion and Foreign Bonds, etc.

LONDON RECENT ISSUES table with columns: Issue, Amount, Date, Yield, etc.

FIXED INTEREST STOCKS table with columns: Issue, Amount, Date, Yield, etc.

RIGHTS OFFERS table with columns: Issue, Amount, Date, Yield, etc.

LONDON TRADED OPTIONS

LONDON TRADED OPTIONS table with columns: Option, Strike, Bid, Ask, etc.

FT-100 ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FT-100 ACTUARIES SHARE INDICES table with columns: Index No., Index, etc.

FIXED INTEREST

FIXED INTEREST table with columns: PRICE INDICES, Yield, etc.

TRADITIONAL OPTIONS

TRADITIONAL OPTIONS table with columns: Issue, Amount, Date, Yield, etc.

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UK COMPANY NEWS

Oil production fall and squeeze on refining and marketing underpin differing results
Royal Dutch/Shell climbs 22.5% to £1.1bn

By Steven Butler

THE ROYAL Dutch/Shell Group yesterday reported a 22.5 per cent rise in first-quarter post-tax profits to £1.1bn compared to the first quarter of 1988, calculated on a current cost of supply basis. However the results were boosted strongly by gains from property sales amounting to £244m

this year, compared to £166m in 1988. Profits declined in most of the operating businesses, with the exception of chemicals, where they rose by 55 per cent to £282m.

On a historical supply basis, used for official reporting purposes, Shell's net profits soared by 55 per cent to £1.28bn. This figure includes gains from stock holdings which resulted from the substantial rises in crude and petroleum product prices during the quarter. Current cost calculations are generally felt to provide a better guide to the oil company's underlying performance, which

is distorted by swings in the value of inventory. Shell earnings per share rose from 9.1p to 14.1p. First-quarter profits from oil exploration and production reached £293m, a decline of £84m which came in spite of the rise in crude prices during the quarter. Crude oil produc-

tion fell by 2 per cent to 1.78m barrels a day, while natural gas sales declined by 6 per cent, largely because of the warmer European winter, to 6.93bn cu ft a day. The decline in oil production was small because the fall in UK production due to shut-downs in the North Sea was largely offset by increases in Columbia, Syria, and Abu Dhabi.

Getting back to the basics

David Waller on the latest changes at Hamleys



Duncan Chadwick: npmarket shops in Beverley Hills

AT THE TURN of the decade, the toy and game industry was hit by a debilitating combination of recession, manufacturing overcapacity, high interest rates, radical new product lines and an erosion of the customer base because of a decline in the birth rate.

Hamleys, the London toyshop which was sold to a US entrepreneur earlier this week, survived all this. Convulsion in the industry gave rise to the disappearance of many well-known toy manufacturers, a regrouping of the survivors, and a doubling in the volume of imports to about 70 per cent of the £1bn UK market last year. The retailing side, made up of numerous independents, hardly thrived against this background.

On the one hand, the stores' traditional suppliers disappeared; on the other, they faced increased competition from new entrants to the market like Woolworth and Argos, and latterly, discount players such as Toys 'R' Us from the US and Zodiac.

In the midst of all this upheaval was Hamleys, the Regent Street toyshop. Despite changing hands four times in as many years (including the latest change of control) it remained the flagship of the industry, unique amid all other toyshops. The reasons were its size, it carries 23,000 items at any one time, its customer profile (largely rich visitors from overseas) and its 200-plus years of history.

Under one of the owners, Sir Phil Harris of Harris Queensway, it sank into losses. Sir Phil realised that the Hamleys brand-name was underexploited, but his attempts to rectify this by expanding into provincial UK cities failed. The stores were too small to carry the range of stock needed to make them properly differentiated from their down-market competitors.

The new owners intend to expand, too, but far more cautiously and selectively than Sir Phil during his two-year reign, from 1986 to 1988. In time, there will be expansion overseas but the main focus of management energies over the next few years will be on the London store.

Put together by the venture capital arm of Citicorp, the latest deal is more than a simple acquisition. It matches up the oldest name in the toys industry with some very modern financial engineering. It is neither a straightforward buy-in or buy-out, but a combination of both.

From California comes Mr Duncan Chadwick, an Anglo-American businessman in his mid 30s who set up Creative Toys some years ago. His business does not exactly constitute an empire. His two Intellitoy shops in the heart of Beverly Hills are decidedly up-market, but enjoyed turnover of only \$3m last year, about one-tenth the £18m at Hamleys.

Also in on the deal is Mr Bob Brown and his colleagues at Hamleys. Mr Brown was appointed last summer when Mr James Gulliver took control of Harris Queensway. He is credited with pulling the store

out of the provinces and bringing it back into the black. The first aim of the management team, advised during the negotiations by J.O. Hambro and Partners, the corporate finance boutique, is first to restore Hamleys to the levels of profitability enjoyed before the Harris Queensway diversifications.

They intend to do this by restoring Hamleys' commitment to the long-held principles which have served to distinguish it from its rivals: namely, that it should sell as wide a range of product as possible; it should offer a unique shopping experience and that it should not compete directly on price, rather by offering good value quality service and products.

In the first instance, the aim is to tighten up margins through the implementation of US-style computer systems and by improving purchasing. The shop layout will be redesigned.

The two Los Angeles stores will be renamed Hamleys immediately. But, until the London store has responded to the treatment, further expansion will be limited to a select number of franchising arrangements in continental Europe and the Far East.

BP declines almost 7% in first quarter

PROFITS AFTER TAX on a current cost basis at British Petroleum fell by 6.6 per cent in the first quarter of the year, on a year-on-year comparison, reflecting a squeeze in margins in refining and marketing. Although crude prices rose, this was offset by disruptions in production, higher taxation, and rising costs, writes Steven Butler.

BP also yesterday declared its first quarterly dividend at 3.6p. On a historical cost basis, BP's net profits rose sharply, from £268m to £260m reflecting gains from crude and product stock held in inventory during

a period of rising prices. These amounted to £277m. Earnings per share rose from 4.4p to 10.3p.

In the upstream part of the business, current cost operating profit rose from £407m to £478m, which included a pre-tax profit of £166m from the sale of a 15 per cent interest in the Magnus field in the North Sea. The average oil price during the period rose £1.75 a barrel to \$17.45, compared to a year ago.

BP produced an average of 1.6m bbl during the quarter, down from 1.7m a year ago. Gas sales rose to 1.3m cubic feet a day from 1.0m.

Refining and marketing profits fell from £140 a year ago to £134m, far below the £241m recorded in the fourth quarter of 1988.

Chemicals, however, produced a record quarterly profit of £157m, compared to £136m the year before.

BP's nutrition business turned in a £10m profit, unchanged from the fourth quarter of 1988, although up from £3m a year ago. Coal produced an operating profit of £7m.

BP nearly doubled its cash flow during the period from £221m to £1,060m, including the proceeds from £268m of

divestments, among which were the sale of its 15 per cent holding in the Magnus field in the North Sea and royalty interest sales at Prudhoe Bay. Capital expenditure came to £618m.

BP's group ratio of debt to debt plus equity at the end of the first quarter stood at 49 per cent, compared with 37 per cent at the year end, resulting from the purchase and cancellation of 780m ordinary BP shares from the KIO, although this was expected to fall to 40 per cent by the year end following disposal of BP minerals to RTZ.

See Lex

Protesters taking legal advice

Richard Donkin on the furore at Shell's agm

THE ANTI-APARTHEID Movement was yesterday taking legal advice on whether it could annul the business meeting in London which broke up amid barracking by demonstrators protesting at the company's trading policy in South Africa.

The report and accounts were voted through in the uproar as about 80 anti-apartheid protesters with "red rights" as Shell shareholders protested against a decision by Sir Peter Holmes, the Shell chairman, to end questions on South Africa and move to the remaining business.

Mr Stuart Bell, a researcher with the Anti-Apartheid Movement, claimed Sir Peter had ignored an attempt to have a poll taken on the decision. Mr Bell said that under articles of the company five or more shareholders had the right to demand a poll.

Shell last night said that the chairman had taken the steps "he thought fit" to determine the wishes of the meeting in the uproar.

It said: "all those present save perhaps those blowing

whistles and shouting could clearly hear what was being proposed and what they were being asked to vote on." The company said it had no comment on alleged irregularities.

Earlier Sir Peter had delivered a strongly-worded defence of Shell policy in South Africa which demonstrated the company's sensitivity to the boycott on Shell products launched three years ago by a coalition of anti-apartheid groups.

He described the campaign as "misconceived and misguided", pursuing a strategy increasingly rejected by the black community.

He said: "Shell has earned the respect and support of the black community as a company committed to the end of apartheid and to the creation of a fair and free post-apartheid society."

Sir Peter said there had been recent instances when Shell had been spontaneously mentioned by blacks in South Africa to overseas visitors as the company that others should emulate. He said: "It is abundantly clear therefore that those who have picked Shell

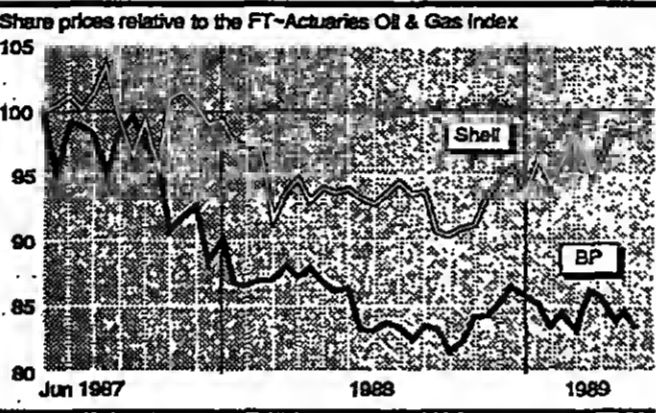
for vilification and attack have picked the wrong target in the eyes of the black community in South Africa."

A recent survey, he said, showed that 64 per cent of blacks in South Africa opposed economic sanctions and 74 per cent said foreign companies should stay in South Africa. "It is an emphatic rejection of the disinvestment and boycott campaign followed by anti-apartheid activists around the world," said Sir Peter.

Mr Bell said: "My only surprise is that nearly 40 per cent of respondents supported sanctions considering that advocating sanctions or disinvestment is an imprisonable offence in South Africa. It is like asking people if they want to go to prison."

Mr Bell said he was one of "approaching 100" anti-apartheid campaigners who each possessed a single share in Shell as a tactic to protest at company meetings.

He said the only physical unrest at the meeting had been when some shareholders had "ripped up" "Don't Fuel Apartheid" banners while the protesters sang "We shall overcome".



REMARKABLE CONTINUITY OF EXPANSION

IN THE YEAR TO 31 JANUARY 1989

- 46% growth in the profit before tax. Almost identical to the annual compound growth rate averaged over the previous three years.
- 1988/89 - the seventh year of uninterrupted profit growth from £211,000 in 1982/83 to £2.6m in 1988/89.
- MIL's volume growth - twice that of the UK market research industry.
- Dividend per share increased by nearly 40% from 3.3p to 4.6p - and still more than three times covered.
- 1989/90 - very good start with growth in UK contract bookings.
- 1989/90 - two newly acquired research companies coming on stream for the first time. Acquisitions secured with 57% for cash - from internal resources.

The detailed statistics were	1988/89	1987/88	%
	£'000	£'000	increase
Turnover	17,338	14,163	+22.4%
Profit before tax	2,606	1,789	+45.7%
Profit after tax	1,644	1,316*	+24.9%*
Earnings per share	15.4p	13.0p*	+18.5%*
Dividends per share	4.6p	3.3p	+39.4%

* 1987/88 enjoyed a favourable tax rate due to the utilisation of substantial US tax losses.

Major growth areas in the year were automobile research, UK health care research, business-to-business and financial markets research.

Rudolph W. Goldsmith, Chairman



MIL Research Group plc
 A LEADING UK MARKET RESEARCH COMPANY

The above figures do not constitute a Full Financial Statement. Copies of the Report and Accounts for 1988/89 will be mailed to shareholders from 17 May 1989 and can be obtained from: The Secretary, MIL Research Group plc, 1 & 2 Berners Street, London W1P 3AG.

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UK COMPANY NEWS

Results fall £3m short of City expectations Interest charges of £30m hold BOC to £149.4m

By John Ridding

CONTINUED BUOYANT demand for both manufacturing and non-industrial gases lifted operating profits at BOC Group, the gases and healthcare company, by 15 per cent to £179.4m in the six months to the end of March.

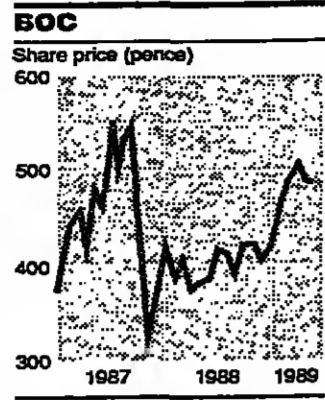
However, interest charges of £30m resulting from the company's heavy capital expenditure programme constrained profits at the pre-tax level to £149.4m, an 11 per cent rise, but around £3m lower than market expectations.

Turnover increased by 14 per cent to £1.2bn of which two-thirds represented the core gas and related products division. Earnings per share were up from 15.15p to 21.58p and a second interim dividend of 8.3p is declared for a total of 16.6p.

Mr Richard Giordano, chairman, said that demand for gases had been strong across its markets, improving profits in the division from £38.7m to £125m. He added that "there is no evidence of a slackening in demand despite the recent moves in leading indicators."

The Far East enjoyed particularly rapid growth and now accounts for around one-third of group turnover and slightly less in terms of profits. An extra 12 plants are being constructed in the region to cater for demand.

In terms of products, Mr Giordano said that the big surprise this year has been the



performance of non-industrial gases - particularly nitrogen-based products used in the food freezing industry and oxygens for anti-pollution use.

The group is currently involved in negotiations with the US Justice Department to arrange a deal whereby the anti-trust bar on its proposed \$171.5m (£101m) acquisition of UGI's industrial gases subsidiary can be lifted.

Mr Giordano said that the deal may involve the exclusion of around 20 per cent of the company's assets from the deal and that an arrangement may be reached within 30 to 45 days.

The health care division continued to be constrained by losses at its Glasrock subsidiary which are "around a couple of million pounds on an

annual basis." However, the division as a whole saw profits improve from £39.8m to £46.3m.

COMMENT

BOC - the company that announces dividends at the beginning of the year - seldom springs surprises. But the City was caught off guard by the level of capital spending and interest payments and marked down pre-tax forecasts for the current year from a top end of £340m to one of £235m. Such adjustments bear no reflection on underlying trading which continues to benefit from surprisingly strong gas markets. Towards the end of the year, this is likely to tail off, but if it does the effect will largely be offset by Glasrock's expected return to the black and the positive contribution provided by the integration of Spectramed and Viggo in the healthcare division. In the longer term the obvious worry is an economic slowdown which must affect BOC through its steel, motor and other industrial customers. However, the group is now far less vulnerable as a result of its developing healthcare division, expansion in the East and increased contribution from non-manufacturing gases. Assuming profits at the top of the range puts the shares on a prospective multiple of 10 - reasonable value given their recent underperformance and BOC's steady progress.

Corporate raiders build 2.55% Asda stake

By Nikki Tait

ASDA GROUP, Britain's fifth largest food retailer, said yesterday that it had uncovered a 2.55 per cent stake built up by First City Financial Corporation, a Vancouver-based investment company which is controlled by the Belzberg family, prominent Canadian-based takeover specialists and corporate raiders.

Asda shares rose 5 1/2p to 172p after the announcement, to value the stores group at £2bn.

As part of the current £1.73bn bid led by the newly-formed Isoceles company for another UK food retailer, Gateway, Asda has agreed to purchase 62 Gateway supermarkets for just over £700m if the offer is successful.

The proposed deal, however, has acted as a catalyst for bid speculation over the future of Asda itself - with names like Atlantic and Pacific, the US food chain where West German retailer Tengelmann has a majority stake, mooted - and there has been some heavy recent trading in its shares.

Asda said yesterday that the FCFC stake came to light as a result of notices sent out under section 212 of the Companies Act, which allows companies to discover the beneficial ownership of its shares.

It said that FCFC had started buying shortly before the Isoceles offer was announced, but the bulk had been purchased since then.

It added that there had been no contact with the new shareholder, but that the group was now "considering its tactics". First City itself said that it was not group policy to comment on its investments. However, the company - listed on the Toronto Stock, but with the Belzberg family holding 78 per cent of the shares - has been active in numerous corporate situations in the past, often taking stakes and then suggesting that a bid will follow.

In certain cases, the target company has then bought out the aggressor's stake, although in some cases a bid has resulted.

Minorco's least favourite lawman

Roderick Oram profiles the man blocking the bid for Gold Fields

DOWN IN the well-worn, marbled basement of the Federal courthouse in Manhattan, a low-paid clerk spins an old octagonal wooden box, lifts the lid, reaches in for a small manila envelope, opens it and pulls out a slip of paper bearing a judge's name.

In this random, impartial fashion the latest case to hit the over-burdened New York court gets its judge. Back last October, a clerk plucked out the name Mukasey, assigning the judge to the case on which hangs the biggest ever British takeover battle.

No one can question the legal propriety of Judge Michael Mukasey's injunction blocking an anti-trust reason for the £3.5m bid for Consolidated Gold Fields, the diversified UK mining group, by Minorco, the South African-controlled investment company. Minorco does not like the ruling but the New York appeals court has upheld it.

But whatever the result of frantic manoeuvrings before the bid expires next Wednesday, several questions will long haunt both sides.

What if the clerk had picked another name? Who is this man on whom hangs a multi-billion pound deal and, perhaps, the future of the world's gold industry?

One clue is Judge Mukasey's choice of hero. Atop shelves of bound law digests in his chambers sits a large framed photo-



Judge Mukasey - does the gold industry depend on him?

graph of Mr George Orwell. "He is a particular idol of mine for his clear writing and complete disdain for cant," the judge says. "I try to recognise when some spongy abstraction is trying to cover up an excuse for thought or analysis."

He aims this barb at the legal profession in general, not particularly at lawyers in the Gold Fields case on which he must refrain from commenting.

Nevertheless, his guiding intellectual passion is serving him well in the case, judging by the clarity of his written opinions and the wry wit with which he peppers both sides' attorneys during hearings.

When, for example, one apologised for using the phrase dawn-raid - "not a term I coined" - Judge Mukasey replied: "I'm sorry to have taxed you with melodrama."

The case is drawing a lot of attention to Judge Mukasey, 47, who joined the bench 15 months ago. He had spent the previous 20 years as a lawyer in private practice, defending, for example, newspapers against libel suits, and in government service. Twice during the 1970s, he served as a federal prosecutor in Manhattan tackling corrupt politicians, civil servants and others. "The sense I was one of the good guys is an occupational hazard among lawyers," he says.

"He was an exceptionally bright, energetic fellow with great promise as a public servant - and he didn't take himself too seriously," says Mr Whitney North Seymour Jr, his boss at the time as the region's US Attorney.

Born in the Bronx, he was an undergraduate at Columbia and earned his law degree at Yale. During university breaks he worked as a news agency reporter for UPI in Newark covering the ill of the bombed-out New Jersey city. "It was good practice in writing fast and making things comprehensible."

His old bureau chief works one floor below him in the court house in a press room which, computer terminals

aside, looks straight out of The Front Page. "He would have made a terrific journalist. At least it would have been a more legitimate calling."

The lot of a federal judge is a hard one. Judge Mukasey says his docket is packed with "a few hundred" civil cases and some 15 to 20 criminal cases, a load typical of the 25 judges on the bench. His staff consists only of two law clerks, one court-room deputy and one secretary. His office days run 12 hours or so followed by much more reading and writing at home. Apart from a few long weekends, his only time so far away from the court house was a two-week economic seminar for judges.

Grave danger also lurks. Airport-style metal detectors and X-ray machines guard the court-house entrance. One of Judge Mukasey's colleagues, Judge Richard Daronco, was shot dead at home last May. His assailant, who committed suicide, was an ex-policeman whose daughter had just lost a seven-year sex discrimination case.

If Minorco, the Oppenheims and De Beers feel out of place before a judge in the front line of New York's urban war, they should consider he is no stranger to issues of international commerce. One case before him involves a boat-load of bananas that rotted en route from Ecuador to Marseilles.

Marginal rise at Yorklyde

Yorklyde, the Huddersfield-based cloth and rug manufacturer, lifted pre-tax profits from £2.17m to £2.33m in the year to end-January 1989.

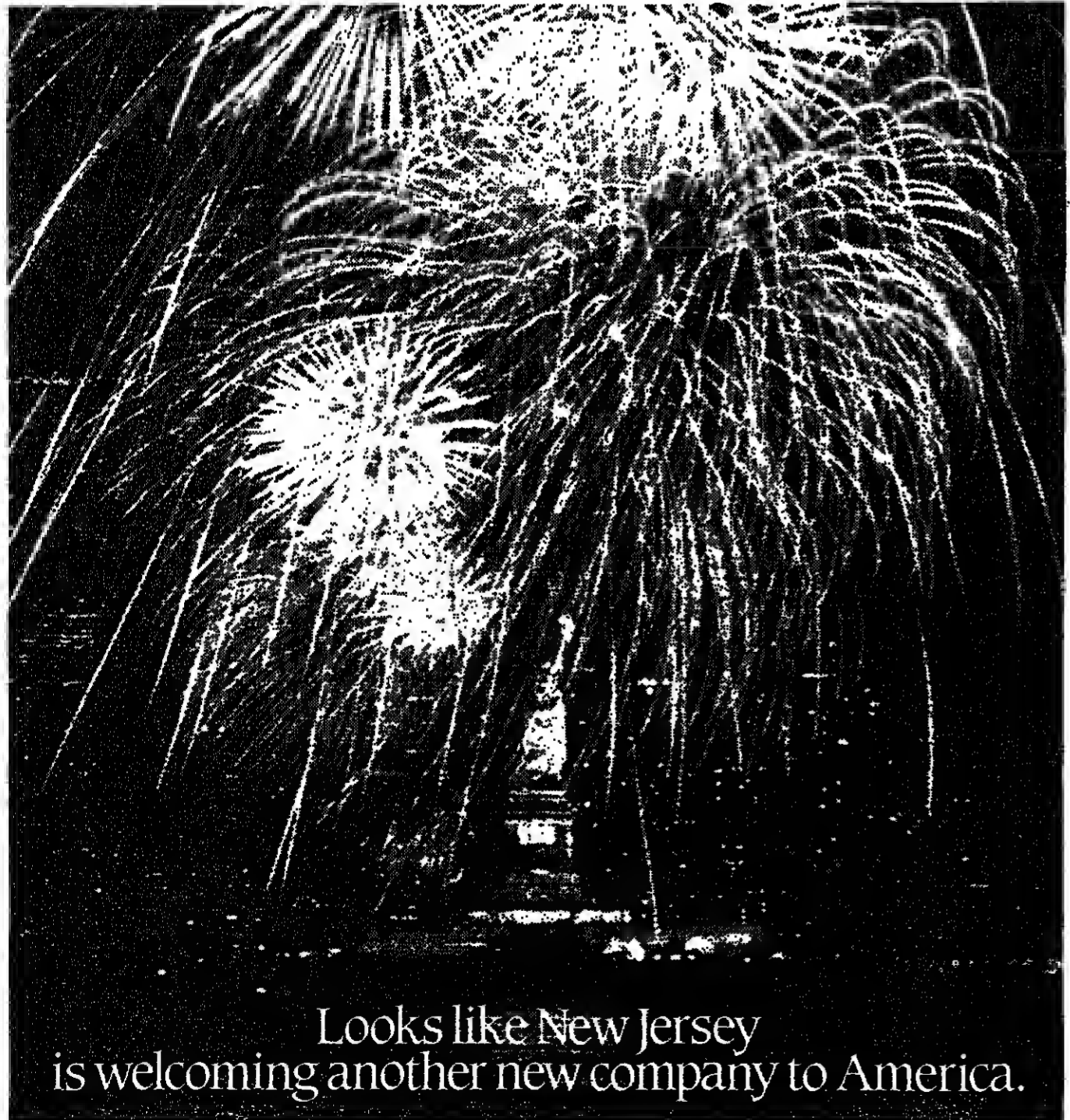
Turnover marginally improved to £3.48m (£3.05m), and after tax of £312,336 (£241,970), earnings per 10p share worked through at 31.9p (30.4p).

The recommended final dividend of 6.25p brings the total for the year to 9p (8.25p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Assoc Paper Inds - int	2.75	July 3	2.75	-	8.8
BOC Group - int	8.3p	Aug 1	5.85	16.6	5.85
GrandMet - int	6.75	Oct 2	5.5	-	15
King & Shaxson - int	6.75	-	6.75	9.25	9.25
MIL Research - int	2.85	July 14	2.2	4.5	3.3
Seaford - int	0.2	-	nil	0.2	nil
UEI - int	5.47	July 12	4.7	8	7
Venture Plant - int	1.25	-	-	-	-
Warnford Inv - int	15	-	12	24	20
Yorklyde - int	6.25	-	5.5	9	8.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. ‡Unquoted stock. †Scrip market. *Scrip option. †Dividend paydates altered. Comparable payment was 13.5p. †Irish currency.



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ASTURIANA DE ZINC, S.A.

Main 1988 data

(Approved by the General Shareholder's Meeting)

	Million ptas.	Million US\$	Million ptas.	Million US\$
Turnover	35,979	312,86	Equity	13,990
Cash Flow	10,223	88,89	Medium & long term external funds	198
Net Profit	6,312	54,88		

Net dividend (1988): 20% of capital. Increase in capital, 1 x 10 free issue.

Other significant data

PRODUCTS	WORLD MARKET SHARES
Zinc mineral: 165.305 Tm.	Zinc: 4%
Zinc metal: 219.669 Tm.	Cadmium: 2%
Other: cadmium, mercury, sulfuric acid, copper, sulfurous anhydride...	Germanium: 10%
	Mercury: 7%

1,860 employees at the end of 1988.

Investment projects

- Broadening of output capacity of zinc from 220,000 Tm. to 320,000 Tm.
- New mining stakes & gold exploration.
- Investment (estimate for the period 1989-1991):
 - In capacity: 12,000 M. ptas. (104,34 M. US \$).
 - Other investments: 5,500 M. ptas. (47,82 M. US \$).

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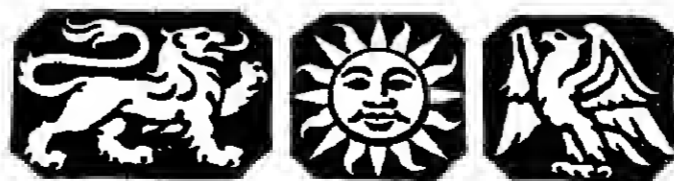
*excluding Japan and the Communist Bloc.

Half-Year Results to 31st March 1989 (unaudited)

Profit before tax	up 30% to £301m
Earnings per share	up 24%
Dividend per share	up 23%

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General Accident

THREE MONTHS' RESULTS

The results for the three months ended 31st March 1989, estimated and unaudited, are compared below with those for the similar period in 1988, which are restated at 31st December 1988 rates of exchange, also shown are the actual results for the full year 1988.

It must be emphasised that the results for an interim period do not usually provide a reliable indication of those for the full year.

	3 Months to 31.3.89 Estimate £ millions	3 Months to 31.3.88 Estimate £ millions	1988 Year Actual £ millions
Premium Income			
General Business	696.1	593.6	2,554.1
Long Term Business	87.8	55.9	292.5
	783.9	649.5	2,846.6
Investment Income	96.4	77.3	353.9
NZI Bank Result	(15.8)	-	(16.9)
Underwriting -			
General Business Result	(19.8)	(21.1)	(32.8)
Long Term Business Profits	4.7	3.5	14.0
	65.5	59.7	318.2
Less Interest on Loans		1.1	20.3
	55.5	58.6	297.9
Less UK Employee Profit Sharing Scheme	-	-	7.6
Profit before Taxation	55.5	58.6	290.3
Taxation - UK and Overseas	15.5	14.1	76.5
Profit after Taxation	40.0	44.5	213.8
Minority Interests and Preference Dividends	(4.5)	1.1	(0.7)
Net Profit attributable to Shareholders	44.5	43.4	214.5
Earnings per Ordinary Share	21.2p	22.7p	107.6p
Principal exchange rates used in translating overseas results			
U.S.A.	\$1.69	\$1.81	\$1.81
Canada	\$2.02	\$2.15	\$2.15

Notes

- The above figures include the results of the NZI Corporation Limited from the date of acquisition 26th July 1988. These results have been presented on a General Accident basis and are not indicative of the results to be published by NZI on 16th June 1989.
- The NZI Bank result includes gains and losses both realised and unrealised on investments held for trading purposes.
- Investment income excludes £3.0m (1988 £2.5m) representing an amortisation of U.S. deep discount bonds which under the USA accounting conventions would be credited to earnings.

ANALYSIS BY TERRITORY OF GENERAL BUSINESS PREMIUM INCOME AND UNDERWRITING RESULT

	3 months to 31.3.89		3 months to 31.3.88	
	Premium Income £m	Underwriting Result £m	Premium Income £m	Underwriting Result £m
UK	249.5	18.2	224.8	(2.0)
U.S.A.	287.6	(17.5)	205.1	(14.5)
EEC other than UK	43.8	(2.9)	39.4	(4.3)
Canada	74.6	(5.1)	65.3	(1.8)
Pacific Basin	73.6	(4.2)	14.9	(0.2)
Other Overseas	25.6	1.4	19.6	0.9
London Market business incl. internal reins.	21.4	(1.3)	24.5	0.8
	696.1	(19.8)	593.6	(21.1)

Net written premiums and investment income increased in sterling terms by 17.3% and 24.7% respectively. Adjusted to exclude the effects of currency fluctuations, the increases were 13.2% and 16.7% respectively.

In the United Kingdom, net written premiums were £249.5m (1988 £224.8m); there was an underwriting profit of £10.2m (1988 £2.0m loss). The Motor account benefited from the effect of previous rating action and a slight improvement in claims frequency to show a profit of £1.2m (1988 £2.5m loss). A continued reduction in extreme weather claims was a feature of the Homeowners and Commercial Property accounts which reported profits of £3.5m (1988 £1.0m profit) and £3.7m (1988 £4.1m profit) respectively. Experience in the Liability accounts, where there was some reserve strengthening, remains adverse.

In the United States, net written premiums were \$350.7m (1988 \$371.2m) and the operating ratio was 108.1% as compared with 106.5% for the same period last year. On the United Kingdom accounting basis, the underwriting loss was £17.5m (1988 £14.5m loss). There was improvement in Personal lines but Commercial line results showed some deterioration.

Elsewhere there were aggregate underwriting losses of £12.5m (1988 £4.6m loss). Results from most major territories were satisfactory although there was some deterioration in Canada due principally to the Commercial Auto account.

New annual premiums for life business in the United Kingdom for the three months were £11.1m (1988 £9.2m) and single premiums £5.3m (1988 £6.9m).

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NOTICE OF FREE DISTRIBUTION OF SHARES

ADJUSTMENT OF SUBSCRIPTION PRICE

You are hereby notified that the Board of Directors of Sankyo Aluminium Industry Co., Ltd. (the "Company") passed a resolution on April 25, 1989, authorizing a free distribution of Shares of the Company on July 1, 1989, at the rate of 0.2 Shares for each one Share held. The record date for the free distribution is May 31, 1989 (Japan Time).

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted pursuant to Condition 7 of the Warrants. As from June 1, 1989 (Japan Time), the Subscription Price of the U.S. \$40,000,000 Bonds with Warrants will be adjusted from Yen 888.40 to Yen 489.70 and the Subscription Price of the U.S. \$70,000,000 Bonds with Warrants will be adjusted from Yen 888.00 to Yen 724.20.

The Industrial Bank of Japan Trust Company on behalf of Sankyo Aluminium Industry Co., Ltd.

Dated: May 12, 1989

UK COMPANY NEWS

Eruption of problems for Ketson

By Andrew Hill

THE INTERNAL problems at Ketson, which is facing a hostile consortium bid, erupted in resignations and a boardroom split yesterday after the marketing and public relations group announced a radical restructuring of its finances.

Trading losses throughout Ketson, but particularly at Moorgate, the financial marketing and PR company bought last summer, have driven Ketson's shareholders' funds £5.45m into the red. Its debt has increased from £1.34m to £2.25m, breaking borrowing limits.

Under pressure from its bankers, Ketson now wants to raise £5m through a share placing, open to existing shareholders on the basis of three new shares for every one held, at 10p a share.

Ketson shares, which were suspended pending the refinancing details on April 25, emerged from the freeze and fell 4p to 15p, capitalising the group at £2.5m, a tenth of its value when the shares peaked before the October 1987 stock market crash.

Mr Rupert Stanbury, who became Ketson's finance director last November, said: "Clearly we have got to re-

structure to ensure the survival of this business." The restructuring is opposed by Ketson's deputy chairman, Mr Jeremy Bond, the founder, former chairman and chief executive of Moorgate, who described the share placing as "rape and pillage" of existing shareholders.

"Our basic view is that there are two scenarios at Moorgate: either they (Ketson) screwed it up by buying it, or they screwed it up in managing it," Andrew Greystoke, chairman of City and Westminster Financial.

Mr John Knorr, Ketson's managing director at the time of the Moorgate acquisition, has resigned from the board, but Mr Bond has refused to do so, despite being sacked as an employee. A proposal to remove him as a director will be put to shareholders at the same extraordinary general meeting being arranged to approve the refinancing plans. Mr Bond said he had been used as a scapegoat.

Mr Walter Dickson, Ketson's chairman and architect of its growth from a small company in 1987, has become chief executive. The announcements drew strong criticism from the hos-

tile bidder, a consortium consisting of Mr Andrew Greystoke's City and Westminster Financial, Summer International, the trading and education company, and Broad Street Group, the PR, advertising and marketing consultancy. Mr Greystoke said: "Our

basic view is that there are two scenarios at Moorgate: either they (Ketson) screwed it up by buying it, or they screwed it up in managing it."

He said the trading results, though much worse than the consortium had expected, had not shaken its resolve to buy Ketson, which is unlikely to consider any offer until after the EGM.

"The thing that continues to astonish us is that even with these catastrophic results under their belt they weren't prepared to talk to us," he said yesterday.

Any bid would involve the establishment of a new company to buy Ketson. Moorgate

would be sold to Broad Street, which first expressed an interest in the group 18 months ago, and Summer International, which is 29.5 per cent-owned by City and Westminster, would buy IETC, Ketson's training consultancy.

Moorgate lost £2.25m before tax in 1988, compared with profits of £416,848 in the previous year. Ketson said the extent of the problems - caused by low sales, poor reporting systems and an inappropriate cost structure - only emerged fully in January of this year.

The PR company was included for three and a half months, but losses of £578,000 at existing businesses meant Ketson as a whole was still in the red in the year to December 31, losing £960,000 before tax against profits of £494,000 in 1987. The loss per share was 7.8p, compared with earnings of 3.8p.

Ketson said its balance sheet had been hit by total trading losses of £3.14m for all group companies, reorganisation and rationalisation costs of £3.07m, and other write-offs - mostly goodwill - of £1.13m. About £4.53m of that was directly attributable to Moorgate.

Evode pulls ahead in battle for Chamberlain

By Clay Harris

EVODE pulled ahead yesterday in the final stretch of the two-horse race for Chamberlain Phlips.

It was still not clear last night, however, whether either Evode or its rival, Bowater, would gain enough support to secure the shoe components and adhesives group before today's deadline.

Evode's all-share offer has the backing of the Chamberlain board, and it said a late flurry of acceptances had raised the total owned or tendered to 41.1 per cent by 11am yesterday and that it was still counting. The latest comparable total for Bowater's cash bid was 29.2 per cent.

Bowater yesterday emphasised that it did not intend to be a long-term holder of Evode shares if its rival won, and thus would dispose of them as soon as practicable if a price close to the current market price could be obtained.

Evode interpreted this as an effort to depress the value of its shares but they remained steady at 190p, valuing Chamberlain at £37p, against a unchanged market price of 228p. Bowater is offering 230p in cash.

Neither bidder has spent out what it would do if both offers fell short of 50 per cent at 1pm today. Such a situation is not held to have arisen in a UK takeover bid since June 1986 when rival bidders for the Country Gentlemen's Association finished with 49.25 per cent and 46.2 per cent.

Because of exceptional circumstances in that case, the Takeover Panel allowed a two-week extension, during which one side won normally under the Takeover Code, both offers would lapse and neither company would be allowed to bid again for a year.

European Leisure cuts Edenderry links

By John Ridding

EUROPEAN LEISURE, the night clubs and leisure group headed by Mr Michael Ward, the corporate financier, is finally cutting its remaining links with Edenderry Shoes, the Irish shoemaker which provided its path to the stock market.

The company is to sell Edenderry to management for £500,000 (240,000). Inter-company debts of £1.2m will also be written off. The shoe business has been in decline for a number of years and in the

year to the end of June 1988 reported pre-tax losses of £60,000. Net assets at this time were £945,000.

At the same time European Leisure announced the acquisition of a further three night clubs. It will pay approximately £3.13m in cash and shares for two Mr G's night-clubs in Aberdeen and Inverness and £2.25m also in cash and shares for Fallows night club in Liverpool.

Mr Ward said the acquisition would "reinforce the

company's developing network of high quality nightclubs and will benefit from being part of a larger, well-managed group."

He added: "The release of funds from an unprofitable mature sector to the fast growing leisure sector will materially benefit the company."

The Mr G's discos, which have net assets of £3.84m, incurred a pre-tax loss of £41,000 for the year to March 31. Consideration for the acquisition will include £525,000 from the issue of new shares.

Fallows Night Club has net tangible assets of £774,000 and profits before interest and tax were £23,101 for the six months to end-March.

Since Mr Ward bought into Edenderry by means of a rights issue in July 1987, the company has made three sizeable leisure acquisitions - Lankan Leisure for £10.25m, Camdon Palace for £9.5m, and Mr Michael Quadri's disco interests for £6.5m. The new additions mean that the group now controls 28 discotheques and 14 pubs.

Geest gains foothold in the US

By Andrew Hill

GEEST, the fresh produce and prepared foods group best known for its banana import business, has bought a US manufacturer of chilled prepared salads for up to \$17.1m (£10.3m) in cash. It is the UK group's first major expansion

into the fragmented US prepared salad market. An initial payment of \$13.1m for Manor Hill Food Corporation, which is based in Baltimore, Maryland, could be followed up with a maximum of \$4m in 1990 and 1992.

Manor Hill's vendors will earn up to \$1m if the company makes more than \$2.5m before tax in 1989. If average pre-tax profits exceed \$3.4m in the three years to December 31 1991, they will receive a further \$3m and three executive directors at the US group will earn bonuses of up to \$3.2m.

In the year to December 31 1988, Manor Hill made \$1.9m before tax on turnover of \$14.1m. The net assets of the company at completion of the deal are expected to be \$1.3m.

Geest claims to be the market leader in the UK chilled prepared salads market. The group said yesterday it hoped to use Manor Hill as a way into the US market, which it estimates is worth about \$700m annually and is growing at about 25 per cent a year.

OTT in £27m German shipping acquisition

By Kevin Brown, Transport Correspondent

OCEAN TRANSPORT & Trading yesterday announced the purchase for \$45m (£26.9m) of OSA Marine Services and a fleet of 50 offshore support vessels from VTG, the transport subsidiary of Preussag, of West Germany.

The acquisition is a further step in Ocean's move away from deep sea container shipping towards the fast growing distribution and industrial services sectors.

Ocean plans to combine the OSA fleet with the 46 offshore support vessels operated by its subsidiary OIL in the North Sea and West African production fields. The combined fleet will be the largest in Europe, and the third largest in the world.

The OSA fleet is currently employed in support of a wide range of offshore production

and exploration projects in the North Sea, West Africa, South America, the Middle East and South East Asia.

Mr Nicholas Barber, chief executive of Ocean, said OIL had been a major contributor to the strong profits growth of Ocean's marine services businesses over the past two years.

"It has out-performed the market both financially and in the quality of its service. The acquisition of OSA, with its high operational standards, further strengthens our offshore business," he said.

Ocean's marine services division made a trading profit of £10.2m last year on turnover of £61.6m. The group made a pre-tax profit of £38.5m, down from £41.2m in the previous year.

Platon disposes of loss maker Dicoll Electronics

By Vanessa Houlder

PLATON INTERNATIONAL, the troubled USM-quoted measurement, control and information technology group, yesterday announced the sale of loss-making Dicoll Electronics for £1.

DEL, together with its 90 per cent interest in its DDL subsidiary, has been sold to Yearbest, a private company controlled by Mr Brian Collier.

Mr Collier was joint managing director of Platon until his resignation in February, for which he received £30,000 in compensation.

The DEL group made a loss

before group charges of £432,000 in the year to March 1989, when it had net tangible assets of £62,000 and an overdraft of £322,000.

Platon has subscribed for 100,000 preference shares of £1 to assist Yearbest's working capital requirements. It has also provided a £50,000 unsecured bank guarantee until March 1990. Platon said that after the disposal of DEL it would focus its development on its core instrumentation and measurement technology business.

Allied Insurance shares jump on appointments

Shares in Allied Insurance Brokers Group jumped 39p to 136p yesterday after Mr Nigel Cayzer and Mr Rupert Gallers-Pratt were appointed to the board. At the closing price, the USM-quoted insurance broker has a market value of £4.3m.

The two men, who are brothers, own a total of 8 per cent of Allied's shares, buying their latest 6.9 per cent tranche last Friday at 89p.

Warnford rises 27% and lifts dividend 4p

Taxable profits at Warnford Investments, a property investment group, expanded 27 per cent to £5.44m in the year to December 25 1988. Turnover advanced 16 per cent to £9.46m.

A proposed final dividend of 15p makes a total 4p higher at 24p and is payable from earnings of 43.27p (34p) per 20p share.

Directors also proposed a sub-division of existing shares into 5p shares and an increase in the authorised share capital from £2m to £2.5m by the cancellation of the deferred ordinary class and the creation of an additional 12.8m new ordinary.

King & Shaxson profits dip

King & Shaxson Holdings announced a drop in profits for the year to April 30. After rebate, taxation and transfer to contingencies reserve they fell from £1.75m to £1.7m. The final dividend is maintained at 6.75p for an unchanged total of 9.25p.

CEI shares fall

Shares in Cambridge Electronic Industries fell 23p to 221p after Mr John Jackson, chairman, told shareholders that the board viewed the outlook for the first half of 1989 with some caution. At the annual meeting he maintained that although the group was well on its way towards its strategic objectives, there was still much to be done to achieve what the company believes possible.

This announcement appears as a matter of record only.



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March 1989

UK COMPANY NEWS

Assoc Paper shares hit by slump in profits to £1m

By Vanessa Houlder

ASSOCIATED PAPER Industries yesterday announced that its pre-tax profits had slumped from £3.12m to £1.04m for the six months to April 1. This resulted from a decline in all its operating areas which include paper, stamping foils and air conditioning.

The announcement, which followed a profits warning in February, sent the shares down from 255p to 215p. Mr Charles Eastwood, chairman, said it had been a difficult half year, characterised by falling volumes and margins. In the short term margins were still under pressure but the outlook had improved, he said.

Mr Adrian Mendenhall, who took over as group managing director on April 1, said the group had embarked on a strategic review with the help of outside consultants. It intended to move from being production-led to being market-led, which would improve its services through closer attention to the needs of its ultimate customers.

Group turnover for the half year fell by some £3.5m to £93.7m. Profits in the paper-making, paper and film converting divisions fell from £2.41m to £1.65m on a decline



Mr Charles Eastwood, chairman of Associated Paper Industries, is seen in his office.

in turnover from £23.45m to £22.15m. This was partly due to a loss of market share, after a prolonged machine breakdown and falling demand for brown envelope papers.

The stamping foil division reduced profits from £911,000 to £408,000 after volume and margin erosion at its Whitley business. Capital expenditure of £4m is being made in the division. The air conditioning, purification and distribution operations saw profits fall from £387,000 to £227,000 after a dip in orders at its purification products company.

Interest charges cost

£411,000, compared with a gain of £71,000 last year, when it benefited from an exceptional currency gain of £286,000.

An extraordinary loss of £2.42m resulted from group reorganisation costs, mainly stemming from the closure of its Bollington plant.

Earnings per share fell from 9.7p to 3.5p. The dividend was unchanged at 2.75p per share.

COMMENT

Although it may not be obvious from these dismal results, API could have a promising future. Despite the current lull in its business, they have good prospects since companies are expected to spend more on promotional packaging to differentiate their products. API has invested well in capacity and, if it improves its marketing skills, it should be able to exploit these growing opportunities. The outstanding question, though, is whether a predator will step in at this point or whether the new managing director - who has been greeted with cautious enthusiasm - will be allowed to get on with the task. If API makes pre-tax profits of £3.5m this year, the rating is a Jofy 20. Unless takeover speculation starts to bite, the shares may have further to fall.

Change of emphasis at Hambro Country

By Philip Coggan

HAMBRO COUNTRYWIDE, the estate agency and financial services group, has secured two tied agency agreements for its financial services subsidiary, Hambro Guardian, as part of its attempt to diversify from its dependence on the depressed residential property market.

Keywest Insurance Brokers, part of the MAI, the money broking and media group, and Daily Mortgages, part of the Daily Trust group which provides services to trade unionists, have agreed to become appointed representatives of Hambro Guardian.

The company, which recently reported a 14.5 per cent fall in 1988 pre-tax profits, has also acquired Hambro Legal Protection, a legal expenses insurer for £3.1m.

HLP promotes various categories of commercial and personal legal expenses insurance through independent insurance intermediaries. Hambro Countrywide estimates that its non-estate agency businesses will provide 15 per cent of revenues this year and 20 per cent in 1990.

GGT expands in the US and makes £12m cash call

By Andrew Hill

OPERATIONS IN the US will account for nearly a quarter of Gold Greenlees Trotter's total revenues following the UK advertising agency's purchase of Martin-Williams, a Minneapolis agency, for an initial \$11m (£5.61m) in cash and shares.

GGT announced the acquisition yesterday along with a two-for-five rights issue to raise £11.5m for further expansion, and a profits estimate for the group of at least £5.1m before tax in the year to April 90 - a 57 per cent increase over the previous year.

On a notional tax rate of 38 per cent, that represents earnings per share of at least 30p, against 22.37p in 1987-88.

GGT, which bought the Atlanta advertising agency Babbitt & Beiman for up to \$3.5m a year ago, will make a further payment of up to \$6m for Martin-Williams depending on its profits in the 15 months to April 30 1990. Mr Matthew Allen, GGT's finance director, said the UK agency did not favour long deferred payment periods.

The initial \$11m payment for Martin-Williams includes \$4.55m of cash - \$2m of which will be used to buy new GGT shares - a \$5m cash payment to nine key employees and a \$1.5m bonus payment to the board and senior management. Martin-Williams staff will also be part of a profit-related bonus scheme over the next six years.

In the year to December 31 1988, Martin-Williams made profits of \$2.01m before tax and non-recurring items.

The issue of 4.55m new ordinary shares is being made at 265p, compared with yesterday's closing price of 317p, down 11p.

"We have been saying for some time that we see a four-centre regional strategy in the US; we want to have agencies of reasonable size on the west coast, in the south-east, mid-west and in New York," said Mr Allen yesterday.

He added that GGT would probably not buy any more US agencies this financial year, but before the end of 1989 the group might have reached two of the four European centres - Frankfurt, Paris, Milan and Barcelona - where it wants to be represented.



British Mohair Holdings

Public Limited Company

FURTHER INCREASE IN PRE-TAX PROFIT

- Pre-tax profit increased by 9.6% over 1987 to £5.3 million. Profit growth mainly from non-textile sector.
- Ordinary dividend for year increased from 7.50p to 8.00p, covered 3.26 times by earnings after tax.
- Earnings per ordinary share up by 10.4% at 26.10p.

"The Group has a good order position. The broad spread of the Group's activities should help to provide a satisfactory result for 1988, the bi-centenary of the Company's foundation."

C. M. Fenton, Chairman

TRADING SUBSIDIARIES

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| Geo. Astroyd Jarr | Commission combbers |
| Jeremiah Ambler (Ulster) | Worsted spinners |
| Crofton Yarns | Synthetic yarn processors |
| Stork Bros. | Woolen spinners |
| Jarol | Spinners of hand knitting yarn |
| T. Mel Engineering | Acoustic engineers |
| Keighley Fleece Mills | Property company |
| W. B. & U. Atkinson | Manufacturers of textile machinery accessories |
| M. G. Packaging | Merchants of paper and packing materials |
| Goggins | Merchants of paper and packing materials |
| The Jewel Blade Co. | Manufacturers of industrial, surgical and razor blades |
| Sewing Machine Parts | Manufacturers and distributors of parts for industrial sewing machines |
| Bradford Enamellers | Enamellers |

Copies of the Annual Report and Accounts may be obtained from The Secretary, British Mohair Holdings plc, P.O. Box 58, Midland Mills, Bradford BD1 4RL.

Kenyon sets up plan for pre-paid funerals

By Andrew Hill

KENYON SECURITIES has become the last of Britain's quoted funeral directors to set up a pre-paid funeral plan. Forethought, as the venture is called, will be operated with Royal Insurance, which will act as fund manager for the scheme.

Mr Michael Kenyon, chairman, said yesterday: "We started planning this about two and a half years ago, but we have taken a lot of care and investigated in the US and Europe quite extensively before doing anything."

Plans for further investment allow the customer to choose one of five fixed-price plans, or arrange specific details with a local funeral director. The scheme also offers a choice of five "memorial plans", enabling the customer to select a plan in advance.

Plans for further investment by the Royal are still at an early stage; the insurance group might eventually market the scheme through its branches, and offer financial

advice to Forethought subscribers.

Market research has shown that in the US about 23 per cent of funerals are paid for in advance. Kenyon's quoted company, Great Southern Group, said Forethought would offer a choice of two or three set funerals, paid for in advance in a lump sum or monthly instalments.

Unlike Great Southern's Chosen Heritage scheme, and Hodgson's Dignity in Death, which are marketed through Age's Comforts and Help the Aged respectively, Forethought is not linked to any national charity, Mr Kenyon said. The group might look at the possibility later.

The Co-operative Wholesale Society, parent of the Co-op, the UK's largest funeral business, is not involved in the scheme, the Funeral Board, which allows customers to decide on details of the funeral with a specific funeral director, paying in advance at local prices.

Flag plans merger after incurring loss of £15.91m

By Nigel Clark

FINANCE LAND and General Holdings, formerly Bolton House Investments, is proposing to merge with Tower Heritage Hotels, a private company based in Winchester. The move was announced at the same time as a taxable loss of £15.91m was reported for the 15 months to the end of June 1988.

The board of Flag said the merger was needed to enhance the company's recovery within a financially stronger group.

The loss, on revenue of £2.19m (£1.23m), compared with a profit of £1.51m for the previous 12 months. The result was struck after provisions of £16.78m (£92,000) against a fall in the value of assets.

Mr Peter Laister said that since he became chairman in September there had been an almost complete change in the board and with a review of its

investments which indicated the need for provisions of £9.53m.

He added that the portfolio had been rationalised leaving a smaller more solid base.

The merger is to be effected by offers from a new company, Tower Group. For each of Flag's 5p shares, which are traded on a matched-bargain basis, Tower is offering one 2.5p share, involving the issue of 5m shares, or 30 per cent of issued share capital of the new company.

For Tower Heritage, which operates five hotels and restaurants, there will be an initial payment of £3.41m, satisfied by the issue of 85.13m shares, representing 51 per cent of the Tower Group capital, and further performance-related payments.

In addition Tower intends raising a net £2m through the offer of sufficient shares at 4p.

SHARE STAKES

The following changes in share stakes have recently been announced:

Allied Insurance Group: Trycourt Financial Holdings has disposed of its interest in 219,000 shares (6.91 per cent).

Associated Farmers: NDS Brown and Brit-N have bought a total of 102,600 26p ordinary

shares representing 5.4 per cent of the capital. The respective holdings are as follows: NDS Brown 57,500 shares and Brit-N 45,000 shares.

Associated Nursing Services: Scottish Amicable Investment managers have acquired 25,000 shares bringing the total holding to 628,018 (12.48 per cent).

1989 FIRST QUARTER RESULTS



BP dividends to be paid quarterly.

- Margins squeezed in Refining and Marketing.
- Higher crude oil prices benefit Exploration and Production, offset by disrupted production, higher taxation and costs.
- Replacement cost profit down by 7% compared with the first quarter of 1988, despite Magnus part-disposal.
- Stock holding gains of £227 million from higher crude oil prices lead to increased historical cost profit.
- 790 million shares cancelled following buy-back from Kuwait Investment Office.
- Dividends to be paid quarterly, 3.65 pence per share now declared.

Financial highlights	1989	1988
JANUARY - MARCH		
Profit for the period after taxation		
Historical cost	£608m	£263m
Replacement cost*	£381m	£408m
Earnings per share	10.3p	4.4p
Dividend per Ordinary Share	3.65p	-

*EXCLUDES STOCK HOLDING GAINS AND LOSSES.



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Prices taken at 5pm and change is from previous close at 9pm.

A HIGH TECH GROUP

Strong growth in world wide sales across all four divisions, Sound & Vision, Text & Graphics, Scientific and Advanced Engineering gave a well balanced expansion.

QUANTEL

World leaders in image processing for broadcasting, graphics, medical and scientific markets.

Link ANALYTICAL

World leaders in micro-analysis for research and materials development.

Solid State Logic

World leaders in audio systems for recording, video, broadcasting and film.

Miles 33

World leaders in text and graphics composition systems and in office automation for solicitors.

COSWORTH

World leaders in design, development and manufacture of high performance car engines.

US ACQUISITIONS

the Nucleus
World leaders in nuclear instrumentation joined UEI in November 1988.

Unitel video

Leading US provider of TV video and post-production facilities. Agreed merger now dependent on shareholder approval.

ANOTHER HIGH PERFORMANCE

■ 26% Profits increase from Organic Growth.

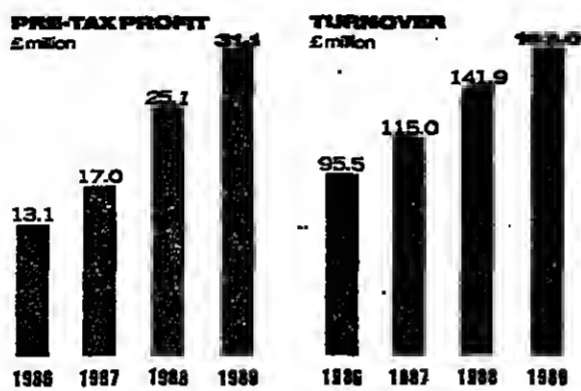
■ 26% annual compound increase in eps unbroken over last 5 years.

■ 71% export sales.

■ 50% increases in sales to Far East and Europe.

■ £10.5m R&D expenditure—doubled over last 5 years.

■ A record number of new products successfully introduced in the year.



SUMMARY OF RESULTS Year ended 31st January 1989 % increase 1988

Turnover	163.0	+15*
Profit before tax	31.1	+24
Profit after tax	19.7	+26
Earnings per share	28.4p	+22
Dividend per share	8.0p	+14

* 17% after deposits.
The above figures are extracted from the Preliminary Announcement of the results for the year ended 31st January 1989, issued on 11th May. For further information please contact the Company Secretary, UEI plc, 19 West Mts, Newbury, Berkshire, RG14 5HG. Tel: 0635 521321.

UK COMPANY NEWS

Losses at NZI Bank hold GA's profits to £55.5m

By Nick Bunker

A WORSE than expected £15.8m loss at General Accident's troubled NZI Bank subsidiary was a factor in a 5 per cent drop in the composite insurer's first quarter pre-tax profits to £55.5m.

Much of the NZI loss, which was about £5m worse than City analysts' forecasts, lay in costs of shedding staff and restructuring at the bank, which was hit heavily last year by the side-effects of the Rothchild collapse in Western Australia.

With US profit margins under pressure from the two-year-old downturn in the property/casualty underwriting cycle, GA nonetheless saw worldwide underwriting losses fall 8 per cent to £19.8m on non-life premiums of £596m. Investment income was up 16.7 per cent at £36.4m.

GA's solvency margin (shareholders' funds as a percentage of non-life premiums) rose though from 78 per cent at the end of last year to 83 per cent currently, demonstrating the strength of the capital appreciation in its equity and property-oriented £5.2bn investment portfolio.

The main reason for the drop

in underwriting losses lay in a better-than-expected performance in the three months to March 31 from GA's UK non-life arm.

A drop in motor claims frequency combined with the impact of rate increases meant GA's motor business showed a £1.2m underwriting profit, compared with a £2.5m loss in 1988. Mild weather helped, with householders' insurance showing a £3.5m underwriting profit.

In the US, where intensifying price competition has been hitting insurers since early 1987, GA saw underwriting losses climb from £14.5m to £17.8m, with most of the deterioration in its commercial lines business.

GA's worst performing market was Canada, where underwriting losses mounted to £5.2m. The Pacific Basin produced a £4.2m underwriting loss, described by GA as "encouraging, in what is traditionally a difficult quarter."

this high, but at this stage in the underwriting cycle the balance sheet matters more than the profit and loss account. In the UK, GA is raising its motor premium rates by up to 23 per cent in Virginia; but with claims costs trending upwards by as much, margins are bound to deteriorate. Geared little directly to fear from Ralph Nader's anti-insurer crusade in California, but its commercial lines business worsens by the day, while in the UK, little scope remains for more premium rate increases. The squeeze on margins means that reserves against outstanding claims from earlier years just better had been adequate; and if GA is over-capitalised, it also looks over-reserved too. Given that the US downturn could stretch into 1991, that is no bad thing; and the high risk profile GA can afford in its investment portfolio has helped net assets per share swell from 91p at end-1988 to 107p now. But GA's shares closed on a meagre 94p last night, a rating which over-discounts the ill-effects of the acquisition of NZI in 1988.

COMMENT

You may call GA over-capitalised, with a solvency margin

UEI 24% up in year of organic growth

By Claire Pearson

UEI, the high technology electronics and engineering group, yesterday announced pre-tax profits up 24 per cent to £31.1m, and earnings per share 23 per cent higher at 28.4p, in the year to end-January.

Mr Peter Michael, chairman, said it had been an exciting year of important new product introductions in each of the four divisions, and the profit advances had been entirely achieved through organic growth.

Turnover rose to £163.0m (£141.9m), split as to £47.3m (£47.27m) for the UK, masking an 8 per cent like-for-like rise, and £115.7m (£94.6m) for exports. The proposed final dividend of 8.4p making 8p (7p) for the year.

The initial reception to the introduction by Quantel, the sound and vision company, of Paintbox Series V, a videographics system which is both much cheaper and more sophisticated than its now nine-year-old predecessor, had been highly favourable. It is expected to open up graphic painting to new types of users.

Other notable developments were the \$20m acquisition last November of The Nucleus, a US nuclear detection equipment company, which fitted in with UEI's X-ray spectrometers, and the successful launch of the Sapphire RS Cosworth by Ford, one of the main customers for UEI's Cosworth subsidiary which makes racing and high performance car engines.

UEI has this year made a \$2m (£19m) agreed bid for Unitel Video, the New York video recording company. This last move showed UEI's keenness to move into services where they fitted in with its manufacturing strengths, as well as a renewed emphasis on the US, Mr Michael said.

COMMENT

Albeit that this year UEI, a world leader with many of its products, should continue to show a 20 per cent-plus growth rate, its shares hardly appear cheap on a prospective p/e of over 14 if it makes between £37m and £39m this year, depending on when the Unitel acquisition is consummated. However, the purchase may have a significance far beyond its size in that it underlines the extent of the company's involvement in the broadcasting industry; deregulating, compelled to keep up with the latest technological developments, and the main customer for UEI's biggest, and fastest-growing division, sound and vision. The company still looks like a worthwhile long-term investment.

GPA \$150m equity issue

By Kieran Cooke in Dublin

GPA, based at Shannon in the Irish Republic and the world's leading aircraft leasing company, is to raise \$150m (£90m) through a new equity issue.

According to Dublin market reports, the share placing will be made before the end of June and will be aggressively priced at more than \$400 per share.

This would value GPA at \$2.5bn. Last year a number of Irish institutions paid between \$20 and \$25 per share for a stake in GPA. GPA would not comment on the new issue.

It is understood that a number of new investors are likely to buy into GPA, as well as existing Irish and international shareholders.

Mr Tony Ryan, who helped found GPA in the mid-1970s, has through successive share issues maintained an 8 per cent stake in the GPA Group. Other major shareholders include Air Canada, the Hibernian Corp, Aer Lingus and Irish Life Assurance.

Better cost control boosts CRS

By David Churchill

CO-OPERATIVE RETAIL Services, Britain's largest retail co-op, yesterday announced a 20 per cent increase in its trading surplus to £32.5m for the year ending January 28.

The increase was achieved in spite of a sales increase of just 6.2 per cent to £1,060m.

CRS, which is owned by its members, operates over 800 food and department stores throughout the UK as well as other activities, such as its

undertaking service.

Mr Brian Hollowell, CRS chairman, said yesterday that the increased trading surplus had been achieved by improved merchandising and cost control in spite of the squeeze on retail activity.

"The results from our new marketing approach, involving substantial investment in store redecoration and refurbishment, have been very encouraging," he said.

and refurbishing existing ones led to a two-thirds increase in capital expenditure to £76.5m. However, this was partially financed out of cash flow, leading to a 10 per cent fall to £7m in interest payments.

The CRS's food division operates through three trading identities - Co-op Leo's, Market Fresh and Stop and Shop. Sales through these stores rose by 5.7 per cent to £900m last year.

The dairy division maintained sales at £112m in line with a static market. Non-food department stores - trading as Living and Homeworld - achieved a 14.4 per cent sales increase to £191m.

The funeral division increased sales by 9.3 per cent to £20m in spite of "strenuous competition," according to the CRS.

CRS said yesterday that it planned to expand its Shareholder Card which it launched in two areas last year. The card provides a range of financial services in conjunction with the Co-operative Bank.

Rowland-Jones to fight Bremner board on sale

By Clary Harris

MR JAMES Rowland-Jones, the former Bremner chairman who has tried unsuccessfully several times to unseat his successor, is preparing another challenge to the current management at the Scottish stockbroker and property company.

His latest target is Bremner's agreement to sell the group's former Glasgow department store for £2.5m. The deal is subject to approval by shareholders at an extraordinary general meeting, the date for which has not yet been set.

Mr Rowland-Jones, who has a 13.9 per cent stake in Bremner, said yesterday that at least two higher offers had been received for the property. He would be asking shareholders to make him their proxy to accept the highest available price or the highest-value joint development deal.

The possibility of another chapter in the long-running saga emerged as Mr Dennis McGuinness, Mr Rowland-Jones's rival, announced he would resign as chairman within three months, although he would remain as an executive director.

Investment in new stores

Mr McGuinness said yesterday that the offer which had been accepted, from the Scottish clothing retailer What Everyone Wants, had been the best on the table which was not subject to conditions such as planning consent or a structural survey.

Venture Plant spends £2.86m on two purchases

By Vanessa Houlder

Venture Plant Group, a plant hire company that joined the USM last December, yesterday announced the acquisition of PTL (Plant Hire) and Caledonia Crane Hire for a total of £2.86m. It also announced interim pre-tax profits of £378,520 and turnover of £3.82m for the six months to March 31.

The acquisitions will be financed by the issue of 2.3m new shares and a further 483,067 shares will be issued to cover expenses. An open offer has been arranged on a 3-for-16 basis at 105p per share.

The interim profit compares with a pre-tax profit of £958,000 for the year to September 1988. Earnings per share of 2.33p were announced, compared with 8.3p for the year to September 30. An interim dividend of 1.25p has been declared.

COMPANY NOTICES

BANQUE NATIONALE DE PARIS
Joint-stock company with an authorized capital of FF 2,338,890,400. Registered Office: 16 Boulevard des Capucines - PARIS (8ème) Trade Register PARIS B 882 842 448

NOTICE OF PREPAYMENT
US\$225,000,000 - FLOATING RATE NOTES DUE 1998
Notice is hereby given that, in accordance with clause "EARLY REDEMPTION" of the conditions of the notes, BANQUE NATIONALE DE PARIS will prepay all of the outstanding notes at par on June 15, 1989 when interest on the bonds will cease to accrue.

Payment of principal will be made upon presentation and against surrender of the notes with all unremitted coupons attached.
Accrued interest due June 15, 1989 will be paid upon presentation and against surrender of coupon on or after June 15, 1989.

PAYING BANKS:
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489 PARK AVENUE, NEW YORK, N.Y. 10022
BANQUE NATIONALE DE PARIS (HEAD OFFICE)
16, BOULEVARD DES ITALIENS, 75008 PARIS, FRANCE
BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.
24, BOULEVARD ROYAL, LUXEMBOURG
BANQUE NATIONALE DE PARIS PLC
8-13 KING WILLIAM STREET, LONDON EC4P 4AG, ENGLAND
KUWAIT INVESTMENT COMPANY (S.A.K.)
SOUQ AL-MANAKH BUILDING, MUBARAK AL-KABIR STREET
PO BOX 1005, SAFAT 12011, KUWAIT

ESPIRITO SANTO FINANCIAL HOLDING S.A.
Société Anonyme
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg n° B 22232

Avis de convocation
Messieurs les Actionnaires sont convoqués par le présent avis à l'Assemblée Générale Statutaire qui aura lieu le 26 mai 1989 à 11.00 heures dans les bureaux de la Kredietbank S.A. Luxembourg, 43, boulevard Royal, Luxembourg, avec l'ordre du jour suivant:

- Ordre du Jour**
- Rapport de gestion du Conseil d'Administration et rapport du Commissaire.
 - Approbation des comptes annuels et affectation des résultats au 31 décembre 1988.
 - Décharge aux Administrateurs et au Commissaire.
- Le Conseil d'Administration

THE ROA FIRE AND MARINE INSURANCE COMPANY, LIMITED
NOTICE TO HOLDERS OF US\$70,000,000 1% PER CENT, CONVERTIBLE BONDS DUE 2002
OF ADJUSTMENT OF CONVERSION PRICE

Pursuant to Clause 6 of the Trust Deed dated 11th August, 1987 under which the above Convertible Bonds were issued, notice is hereby given as follows:
The Company made a public offering of 3,000,000 Shares of common stock of the Company at an issue price of Japanese Yen 2,240 per Share and with a payment date of 21st April, 1989. As a result of such offering, the Conversion Price of the above Bonds has been adjusted in accordance with Condition 4(c) of the Terms and Conditions of the Bonds from Japanese Yen 877 to Japanese Yen 874.50, effective as from 22nd April, 1989.

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NOTICE TO BOND HOLDERS OF COSTAIN GROUP PLC
U.S.\$50,000,000
7% per cent Bonds due 1992

In accordance with the provisions of the indenture, notice is hereby given that an Extraordinary General Meeting will be held on 26th May 1989. The ordinary shareholders of Costain Group PLC will, inter alia, consider proposals:

- to give general power to the directors to offer new ordinary shares in lieu of cash dividends payable on ordinary shares; and
- to authorize such an offer to be made in respect of the first ordinary dividend for the financial year ended 31st December 1988 and, if the Board so decides, in respect of any other dividends recommended or declared by the Board up to 31st December 1989.

BY ORDER OF THE BOARD

APPOINTMENTS WANTED
FINANCE DIRECTOR
with proven track record and experience of general management at board level and also some assignment. Experienced internationally and used to turnarounds, acquisitions and disposals, particularly in manufacturing.
Write Box 4121, Financial Times, One Southwark Bridge, London SE1 9HL

PROPERTY INVESTMENT & FINANCE

The Financial Times proposes to publish this survey on:

6th July 1989

For a full editorial synopsis and advertisement details, please contact:

Joanna Dawson
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LEGAL NOTICE

Procédure de concordat pour les banques et les caisses d'épargne Canton de Genève

Déclaré: **BANQUE DE CREDIT INTERNATIONAL, GENEVE, EN LIQUIDATION CONCORDATAIRE**
Conformément à l'Article 43 de l'Ordonnance du Tribunal Fédéral du 11 avril 1988 concernant la procédure de concordat pour les banques et les caisses d'épargne, le liquidateur a dressé un état du patrimoine au 23 février 1989 et un rapport sur son activité à cette même date. Ils ont été transmis à la Commission des créanciers pour être consultés et l'autorité de concordat.
Les créanciers pourront en prendre connaissance auprès de:
Greffe de la Première section de la Cour de Justice, Palais de Justice, 1211 Genève 3
Genève, le 26 avril 1989
La Liquidatrice:
DELOITTE HASKINS + SELLS S.A.

This notice appears as a matter of record only.

Busways Group Ltd

(a 49 per cent ESOP owned company)

has acquired

Busways Travel Services Ltd

from the
Tyne & Wear Passenger Transport Authority
for a total consideration of
£14,350,000

Participants

The Co-operative Bank plc
City Region
Unity Trust Bank plc

ESOP funding provided by
Unity Trust Bank plc

Busways Travel Services Ltd.
was advised by
New Bridge Street Consultants

The Co-operative Bank Group

FINANCIAL TIMES SURVEY

The "enabling technologies" of biotechnology are taking longer than was once forecast to find their role in medicine. But Europe and Japan are emerging as fertile ground after a decade in the shadow of US bio-entrepreneurs, says David Fishlock, Science Editor

Time span of success

IT TAKES up to 10 years to develop a new pharmaceutical. That fact was simply not appreciated by many entrepreneurial scientists from academic backgrounds who helped pioneer the commercial use of the new biotechnologies. Dr Robert Filles, chief executive of Octus, told investment analysts in London recently.

Even today it is not widely known that only one in four submissions by pharmaceutical companies of new compounds to the US Food and Drug Administration, seeking a product licence, wins approval first time.

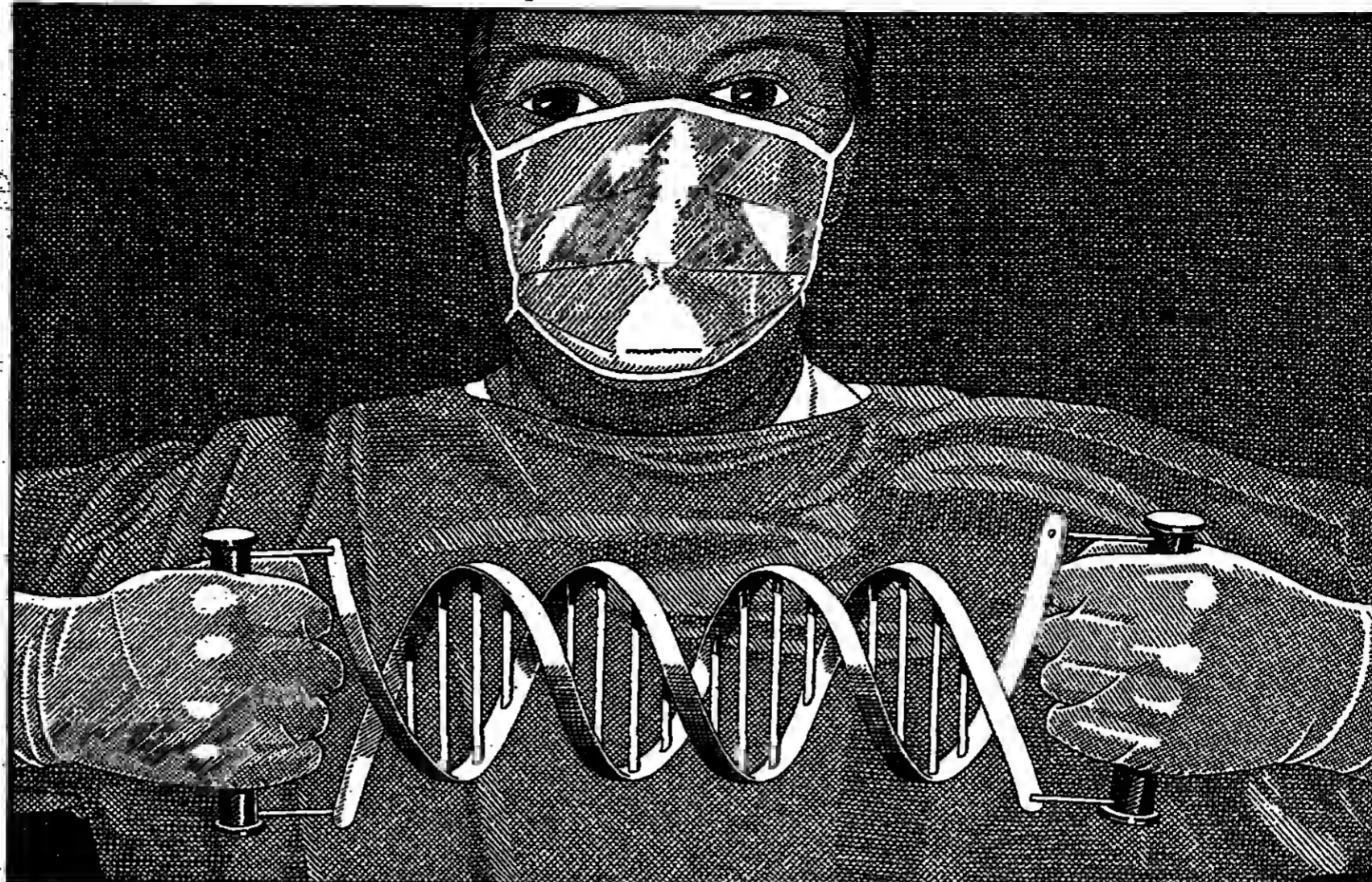
The research and development bill for a drug company of each major new advance in chemotherapy, taking account of all those that fail, is uncomfortably close to £100m. Such facts help explain what has been happening to the few hundred new biotechnology firms launched since the late 1970s, mostly in the US. They are fast coalescing in a rising frequency of acquisitions and mergers as the new industrial sector matures.

Biotechnology is not a new

industry. It has long been around as industrial microbiology, the basis of many industrial processes for the food, drink and drug industries. What emerged from academic science in the 1970s was some powerful new "enabling technologies" which promised to revolutionise industrial microbiology for these and other industries.

Early targets of these new technologies — often called collectively "genetic engineering" — such as interferon and the immunoglobulins have certainly not failed. But they are taking much longer than their promoters once forecast to find their role in medicine. Although they are faithful copies of natural substances, when administered in amounts that seem to combat serious sicknesses they have proved neither curative nor free from toxicity.

Cetus — one of the oldest of the new wave of biotechnology firms — is poised to launch Prolekin, its own genetically engineered interleukin-2, initially to treat an incurable kidney cancer known as meta-



BIOTECHNOLOGY

static renal carcinoma, for which other drugs have not been effective. Clinical trials show a positive response in 30 per cent of patients, the company claims.

Cetus has invested over \$10m in production plant in California to make this peptide as a cancer treatment in both the US and European markets, as soon as it receives product licences — in Europe, it hopes, later this year. It also believes its recent pact with Hoffmann-La Roche has neutralised its only rival within sight of a product licence for interleukin-2 in the next few years.

Nevertheless, investors have every reason to be wary. The experience of Genentech, another Californian entrepreneur from the mid-1970s, is still

fresh in their minds. Genentech boasts the most impressive portfolio of genetically engineered inventions, and picked one called tissue plasminogen activator (TPA) as the drug that would transform it from a research company into a \$10m-a-year pharmaceuticals group.

TPA is known colloquially as a "clot-buster" or substance that dissolves potentially deadly blood clots formed during a heart attack or surgical operation, for example. It was competing against an older clot-buster called streptokinase.

Genentech embarked on a marketing programme to bring Activase, as it named its TPA, to the attention of the US medical community. And the com-

pany increased the pressure when the FDA rejected its first application for a product licence, in mid-1987.

Activase came on the market early last year at a price per treatment of \$2,200, or 11 times higher than streptokinase, a premium it justified by claiming greater efficacy and safety. Its marketing programme succeeded in building sales to "the highest ever for any drug during its first 12 months on the US market." Nevertheless, they were still well short of Genentech's target last autumn when doubts began to circulate in the hospitals and clinics whether Activase really was any improvement at all on the cheaper clot-buster.

High profile activities of this kind have helped provide ammunition for those who campaign in favour of severe curbs on the transfer of genetic engineering into industrial and agricultural practice.

In the US, anti-biotechnology campaigners have successfully hampered attempts to transfer potentially valuable laboratory experiments in imparting frost resistance to crops in Califor-

nia fields. In Europe, they have successfully hampered the use of genetically engineered bovine somatotrophin (BST) to enhance milk yields by up to 20 per cent.

European opposition is strongest in West Germany, where the Green Party appears to view biotechnology with the same reservations as it has towards nuclear energy; it is something to be discouraged by up to 20 per cent.

Opponents persuaded the European Parliament to impose a ban on growth stimulants for beef cattle without even considering the evidence of a scientific committee that the Euro-MPs had asked to investigate the case. In Britain, the National Farmers Union of England and Wales last month endorsed a ban on BST — in defiance of the advice of Mr Simon Gourlay, its chairman.

In Brussels, Mr Filippo Maria Pandolfi, the new European Commissioner for research and development, took the unprecedented step of blocking a planned £10m European Community participation in the international human genome

CONTENTS

- US industry: pendulum 'set to swing back' **1**
- Process technology: the unwanted pair **2**
- Investment: for those with business skills **2**
- Science: it's all in the genes **3**
- Partnerships: backers in the boardrooms **3**
- Diagnostics: DNA may tackle heart disease **3**

Illustration: Robin MacFarlan

France, with a declared interest in diversifying into biotechnology. Such companies — in agro-chemicals, oil and health care — are spotting the talent, then turning to BIL for its expertise in evaluating bio-entrepreneurs both technically (through its science advisers) and managerially, says Mr Jeremy Curnock Cook, heading BIL's advisory team.

Its strength, he says, lies in its experience of helping to develop the strategic thinking of over 50 biotechnology start-ups in which it has already invested.

As Mr Curnock Cook sees it, the US scene for biotechnology start-ups has begun to mature, with companies coalescing increasingly, now that the first products are reaching the market. Although BIL has backed more start-ups in Britain than the rest of Europe together, the UK portfolio remains small compared with that for the US.

Now he has begun seriously to do something BIL previously rarely found time for in its first wave of US investment, namely to seek out and "seed" new ideas from scratch, and give entrepreneurs their first chance to prove they can create a new business.

Mr Curnock Cook's first seed investment is in information technology relating to health care, where he is backing a "computer-literate" surgeon with a better idea of scheduling his patients, to their advantage as well as his own convenience, he claims.

Europe is also well in the van with some of its commercial bioprocesses. Celltech remains in the vanguard with its large-scale (kilogram) culture of monoclonal antibodies. Each kilogram is worth about \$1m.

Marlow Foods, the joint venture between Rank's Hovis McDougall and ICI, is selling Quorn, its mycoprotein made by continuous fermentation, for inclusion in more than a score of food products associated with such names as Sainsbury's, Safeway, BHS and Tesco. Quorn sells at the rate of about 1,500 tonnes a year. This year the company expects to decide on a threefold scale-up, a £20m commitment for the two partners.

ICI is also pioneering what it believes will be the first production-plant anywhere to use a biotransformation to produce a pure herbicide intermediate, free from "isomer ballast",

There are 'hidden jewels' to be discovered in Europe's universities

most US-based start-ups for its first seven years, BIL was turning its expertise towards Europe. He believed there were "hidden jewels" to be discovered in European universities.

BIL's investment managers have begun to report success in their jewel-hunting. They are finding the gems through big companies such as Elf in

It may be 10 years before commercial applications pay off

Why Japan's 'copiers' have got the creative urge

BIOTECHNOLOGY is one of the fields, along with microelectronics and superconductivity, in which Japan's rapid transition from a major purchaser of technology to a major developer of it can be seen most clearly.

By most assessments, both in and outside Japan, the country's research institutions and industrial companies are already doing work in some aspects of biotechnology that is at least on a level with that being done elsewhere. According to a study published last month by the Agency of Industrial Science and Technology of Japan's Ministry of International Trade and Industry, the country is actually predominant in research into the making of complex semiconductors using biotechnology, the so-called bioprocess.

Certainly all the necessary

factors are there for Japan to excel. Both the Government and the corporate sector are flush with cash and looking aggressively for new industrial developments which will sustain the momentum of the country's strong economic growth.

Most leading industrial companies are now internationally competitive in their fields and can no longer hope to improve their positions by buying technologies from abroad. Thus, they are willing to invest heavily in research and development of new products on their own.

In some cases they also appear to be acquiring foreign companies with a view to speeding the process. The purchase two months ago by Yamamoto Pharmaceutical of the US health products group Shuklee for \$395m is thought to have been made in part to improve the Japanese group's position in biotechnology research.

By nature, the Japanese are also willing to take a long view, an approach that coincides perfectly with the profile of biotechnology where successful commercial applications are not expected to be numerous for at least another decade. Indeed, there is growing anxiety in the US that now that the glamour image of biotechnology is fading, the typically undercapitalised US ven-

ture company in this field may have difficulty keeping up with the Japanese.

Perhaps most important, the Japanese people are embarrassed about their image as copiers and are keen to shed it. It would not be too much to say that there is something approaching a national campaign in Japan these days to promote creativity and innovation, and investment in biotechnology research is one of the main beneficiaries.

Japan's interest in biotechnology began to take shape in 1981 when the Ministry of International Trade & Industry (MITI) chose recombinant DNA technology, microreactors, mass cell culture and bioprocess as research topics for its R&D Project on Basic Technology for Future Industries. The year after, it set up a Biotechnology Office aimed at identifying industrial opportunities to support biotechnology, and in 1985 it established the Japan Key Technology Centre with the Ministry of Posts and Telecommunications, offering loans and grants to private sector research institutes.

MITI has also been carrying out its own R&D in the field, including the development of fuel grade alcohol technology using biomass and fine chemicals production technology. In 1988, it began a six-year project to develop a system for recycling contaminated water using biotechnology and membrane separation technology. In January this year, it was instrumental in setting up a joint public-private research centre to promote research activities on marine biotechnology focusing on functions of ocean life.

Other ministries have also got into the act. Under the sponsorship of the Science and Technology Agency, the Institute of Physical and Chemical Research embarked on a 10-year plan in 1977 for the research projects, including developing genetic technology and the creation of a gene data bank. It is also doing research on cancer and senescence, both subjects of great interest in Japan's ageing society.

Meanwhile, the Research and Development Corporation of Japan has undertaken work on biotechnology and information transmission. It has also been putting a lot of effort into developing a vaccine for hepatitis B, a disease much more common in Japan than elsewhere.

The Ministry of Health and Welfare is also working in

these areas as well as developing guidelines for the manufacture of pharmaceuticals and food products using biotechnology. The Ministry of Agriculture, Forestry and Fisheries has been active in biotechnological breeding research for plants and has funded a number of industrial projects in this field.

However, as in other areas of R&D in Japan, the Government's efforts — worth about \$40m a year — tend to be small compared with those of big corporations, both in their own laboratories and at those in universities. The rule of thumb is that the corporate sector spends about four times as much on R&D as the Government. Japan's food and pharmaceutical companies have been pouring huge amounts of money into various biotechnology developments while the giant electrical groups have been speeding ahead on finding ways of applying biotechnology to computer and semiconductor development.

In terms of commercial production, the earliest developments in Japan were in pharmaceuticals. Competition emerged about two years ago among companies to commercialise hepatitis B vaccines. Also, Sumitomo Pharmaceuticals launched the first recombinant DNA drug, alpha-interferon, as an anti-cancer drug.

Another area of focus has been the development of recombinant TPA for dissolving blood clots. There was also a rush of enthusiasm for monoclonal antibody diagnostic kits in 1987, but that has calmed down.

Despite the slow development of commercial products, investment is continuing apace. For example, Chugai Pharmaceutical announced in February that it would spend ¥10bn to set up a factory for biotechnology-applied medicines in Utsunomiya, 50 miles north of Tokyo. It would be the largest biotechnology-medicine factory in Japan, a company official said.

Chugai has been developing erythropoietin (EPO) and granular colony stimulus factor (G-CSF) through the application of gene engineering technology. EPO is undergoing clinical testing as a substitute for blood transfusions. The company expects production approval for the drug this year. G-CSF is being tested as a drug to prevent the rapid decrease in leukocytes that often occurs in cancer patients being treated with

anti-cancer drugs. Chugai intends to apply for production permission this year.

More recently, the focus of biotechnological product development has switched to agriculture, with various companies bringing out new types of flowers and vegetables applying tissue culture. A couple of years ago, a lot of publicity was generated around the development of seedless watermelons and something called a pomato, but now more serious products are emerging. For example, last month, Sapporo Breweries set up a joint venture in Peking that will use a clone proliferation technique to raise masses of low-priced orchid seedlings for import and sale to Japanese horticulturalists.

Also last month, Japan Tobacco, the dominant tobacco industry in the country, paid

Official policy is that companies should try to work with overseas groups on R&D

\$6m for an 8.7 per cent stake in Plant Genetic Systems, a Belgian company active in the genetic engineering of plants. It claims to have pioneered field research in making plants resistant to specific insect predators.

Now that so much R&D work in biotechnology is being done in Japan, the question is how others can get access to it. Japanese researchers, whether in universities or in industries, are no different than their counterparts elsewhere in wanting to keep the benefits of their best work for themselves. However, the Government's official policy is that R&D is an area where Japan can and should contribute to the world and so universities and companies should try to work with overseas groups.

So far, that policy has not been put into practice much. For example, the much-heralded Human Frontier Science Programme, proposed in 1984 by Mr Yasuhiro Nakasone, then prime minister, as an international effort in biotechnology research, has still not got off the ground. But perhaps this is as much because of lack of interest abroad as from inertia at home. The Japanese are usually responsive to foreign pressure.

Ian Rodger
Tokyo

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BIOTECHNOLOGY 2

Despite the US industry's problems, there are hopes the promise can be fulfilled

Pendulum 'is set to swing back'

THE PATH from the laboratory to the market place is proving to be long and tough-going for the US biotechnology industry. Despite serious setbacks, regulatory pitfalls and a tangle of litigation, the industry is steadily maturing, however, and beginning to live up to its early promise.

Expectations for the biotechnology industry have changed dramatically over the past two years. Once regarded as a panacea for the world's problems, it is now widely seen as a business fraught with financial problems and technology risks. The hubris and hyperbole of earlier days have been replaced with visions of gloom and doom.

"Yet the promises of biotechnology have not been broken," says Mr Roger Shamel, president of Consulting Resources Corporation, a management consulting firm which follows the biotechnology industry. "Investors were simply misled with regard to how long it would take to deliver on them," he suggests.

The "biobusiness pendulum" is about to begin a new positive swing this year, Mr Shamel predicts, leading to improved confidence and investment in the industry through the early 1990s.

To date, however, it is the industry's problems that have dominated the outlook. In 1988, more than two dozen US biotechnology companies filed for bankruptcy protection. Others have been forced to sell their technology to companies with deeper pockets and many are

facing financial problems. Industry executives expect nearly half of the 500 or so US biotechnology companies to be acquired within 10 years, and one third of them to be acquired within five years, according to a survey conducted by the Arthur Young High Technology Group.

Times have also been tough for some of biotechnology's biggest companies. The excitement surrounding the introduction of the industry's first "blockbuster" drug, Genentech's TPA, a blood clot dissolver used to treat heart attack victims, was quickly dispersed by news that sales have not lived up to expectations.

Genentech's problem reflects that of the entire industry. Expectations were set unreasonably high, it now appears. Sales of TPA set a first year record for any new drug, yet they were less than half of what industry analysts had predicted.

The company was widely criticised for setting the price of TPA too high, at \$2,200 a dose - about 10 times that of its competitor, streptokinase. Last month, however, Mr Robert Swanson, Genentech's chief executive, reaffirmed the company's intention to maintain current prices and to step up its marketing efforts. Sales of TPA rose by 25 per cent in the first quarter of the year, to \$48.1m, he said.

Despite higher sales, however, Genentech's income fell in the first quarter to \$7.1m from \$15.2m in the same period last year.

Genentech's sales and earnings reflect an industry-wide trend. US biotechnology sales have grown significantly, up 25 per cent in 1988 over the previous year.

Growth has yet to bring profits, however. In 1988 only 26 per cent of US biotechnology companies were profitable, according to the Arthur Young study. Two-thirds of the companies in the diagnostic and therapeutic sector reported lower net income or greater losses compared to the previous year.

Amgen Corporation, the second largest US biotech company, suffered a major setback with heavy losses in the first quarter caused by unanticipated delays in obtaining FDA approval for EPO (erythropoietin).

Widely regarded as the industry's next major product, EPO is a drug that increases the body's production of red blood cells, thus reducing the number of transfusions needed by patients with kidney disease and potentially treating many other forms of anaemia.

Amgen had hoped to introduce EPO last year, and the company put together the manufacturing and marketing

teams to handle its first major product.

Now, however, Amgen has been caught up in a web of litigation over patent rights with competitors, and over marketing rights with its partner, Johnson and Johnson.

The FDA has delayed its approval of EPO while the legal mess is untangled. It could be several more weeks before that process is completed, analysts predict. In the meantime, Amgen will continue to bleed financially.

When it finally happens, the approval of EPO will be the event of the year in the biotechnology industry. Sales will be closely watched and any sign of weakness could plunge the industry into another cycle of doom.

Already, some industry watchers are nervous. There are concerns about the price of EPO. Like Genentech's TPA, it is expected to cost far more than traditional drugs. EPO is projected to cost kidney dialysis patients more than \$6,000 for a one-year supply, placing it beyond the means of many patients.

The annual market for EPO among transfusion-dependent dialysis patients could top \$100m in a few years. Already, however, some industry analysts are speculating upon the drug's potential use in other types of illnesses, such as the anaemia that afflicts cancer sufferers undergoing chemotherapy, and rheumatoid arthritis patients and AIDS sufferers being treated with the drug AZT.

Some analysts' estimates put the worldwide market for EPO in 1993 at \$3.6bn, with \$2.1bn in the US alone. Like Genentech's TPA, it seems that Amgen's new drug may be doomed to fail to live up to inflated expectations.

"Investors need to try to be more realistic and realistic in their expectations," suggests Mr Shamel.

A maturing attitude is likely to result in fewer new biotech ventures being formed, he acknowledges, since investors are now more cautious. On the other hand, second generation biotechnology companies are more likely to succeed, having had the benefit of learning from the mistakes of their predecessors, he predicts.

Despite its problems, the industry is quickly moving toward commercialisation, say the consultants Arthur Young. More of the industry's employees now work in production, marketing or sales than in research and development, and industry investments in manufacturing facilities are projected to increase tenfold during the next five years.

US industry sales will exceed \$15bn by the turn of the century, Mr Shamel forecasts, with about half of those sales in human therapeutics, one fifth in diagnostics, one fifth in agriculture and about 10 per cent in chemical and other special applications.

INVESTMENT

Only for those with business skills

THE LATEST annual report from the biggest and boldest of the new biotechnology research companies begins with the words: "Genentech began and continues to lead the biotechnology industry. Most of the recombinant therapeutics now on the market came from Genentech research. We are the first biotechnology company to enter the ranks of fully integrated pharmaceutical companies."

It reports total revenues of \$334.8m in 1988, up 45 per cent, mainly from the first full year of income from its genetically engineered heart drug Activase (tissue plasminogen activator or TPA). The payoff approaches 1,800 - far higher than any similar firm devoted to capitalising on the new biotechnologies.

Yet Genentech no longer features in the portfolio of Biotechnology Investments Limited (BIL), the trust set up by N M Rothschild in 1982, specialising in biotechnology and health care investments.

The rigorous system of analysis and surveillance imposed by Lord Rothschild, as founding chairman, has made BIL a yardstick of company performance, and made its patronage keenly sought by the new biotechnology companies. Genentech is a casualty of

this rigor for, as the company itself admits, it fell short of its own sales targets. Sales of Activase, forecast to exceed \$400m last year, fell well short of \$200m. BIL's advisers say, however, they will continue to keep a close watch on the fallen star.

Biotechnology generally is alive and well, says Mr Jeremy Curdock Cook, the entrepreneur-turned-banker who heads BIL's team of advisers. Big businesses have begun to take the bio-entrepreneurs very seriously, he says - witness the growing enthusiasm for joint ventures such as EpiGene Sanofi Research Corporation and Welgen, uniting Wellcome and Genetics Institute.

In France, there is the example of Elf-Aquitaine, the oil group, investing venture capital in biotechnology start-ups as part of its strategic development (through Sanofi) in the bio-industries. Elf has claimed recently to be "one of the world's top 10 bio-industry firms".

BIL's advisers, after building a portfolio dominated by US investments, for the past year have turned their attention increasingly to opportunities in Europe, discovering that European biotechnology is also thriving. Another discovery is how much BIL's

advice is valued by big companies trying to evaluate the merits of biotechnology research firms and the opportunities for breaking into new markets.

Behind Mr Curdock Cook's team stands an eminent group of scientific advisers recruited personally by Lord Rothschild, and starting with Dr Sydney Brenner, of Cambridge, one of the world's most famous "genetic engineers".

For the big group, BIL is providing "third-party brains," says Mr Curdock Cook. Its involvement as investor can help curb the natural tendency of the big corporate patron to interfere too much in the activities of an entrepreneurial investment. For its part, BIL finds big groups such as Elf often have a good nose for promising European bio-ventures and, increasingly, are bringing them to the trust's attention.

Genzyme Corporation's planned purchase of Integrated Genetics, both of Boston, Massachusetts, is an example. The merger provides Genzyme with genetically engineered drugs such as erythropoietin (EPO) to which it can apply its expertise in enhancing efficacy and safety, to give the company more market opportunities during the 1990s.

It provides Integrated Genetics with much-needed cash. And by merging two companies of about 200 people apiece, it gives BIL every incentive to re-assess its involvement in what will become a significantly different investment.

"What we really need round here is a Moses," one US bio-venture told Mr Curdock Cook on a recent tour of BIL investments. As he sees it, BIL's ability to help answer the question: where are we going? - to help develop the strategic thinking of the company - is something other sources of venture capital for biotechnology cannot offer.

That means BIL must keep very close to its investments, Mr Curdock Cook is quick to

point out. The bio-entrepreneurs are highly creative people, schooled never to accept defeat, and therefore prone to make unscheduled changes in direction or effort to overcome obstacles. BIL finds it has to match this flexibility of mind.

Flexibility of another kind is evident in the activities of the breakaway team of Abingworth, formed when Mr David Leathers, BIL's former investment manager, left last year to found a new trust along similar lines. As well as seeking proposals from others, Abingworth has founded a company from scratch. "That way you get the people and structure you want", explains Mr Stephen Bunting, also ex-BIL.

Mr Bunting talked widely among pharmaceutical companies about the untapped opportunities for biotechnology. He wanted a company that would work closely with established groups from the start. He decided the science to go for was immunology, where the biggest opportunities lie in the three areas of cancer therapy, auto-immune disease and organ transplants.

He approached Dr Alan Monro, head of immunology at Cambridge University, and a consultant to the Abingworth fund, and persuaded him to abandon a 35-year career as a dean, freeze his pension and become research director to the embryonic Immunology Ltd. He also persuaded Dr Bill Duncan, managing director of Coopers Animal Health, the ICI-Wellcome joint venture in veterinary products, to become its non-executive chairman.

Now he is seeking the most crucial person of all, the chief executive who will build Immunology into a new British pharmaceutical group. The specification Mr Bunting and Dr Monro have drafted is daunting but calls for "above everything, strong business skills."

Such groups are seeking BIL's experience in weighing the soundness of new ventures and of their principals, before parting with cash and, perhaps more significantly, giving them access to their own technological resources. Dr John Hermann of BIL, a former Glaxo executive, says he has been surprised how much more entrepreneurial spirit the middle management is showing in such companies.

The bedrock of BIL's investment portfolio is still US investments, both quoted and unquoted. Now that pharmaceutical products of genetic engineering are reaching the market, the inevitable question is: what happens to the also-rans? One answer is a speedy merger between kindred companies.

Genzyme Corporation's planned purchase of Integrated Genetics, both of Boston, Massachusetts, is an example. The merger provides Genzyme with genetically engineered drugs such as erythropoietin (EPO) to which it can apply its expertise in enhancing efficacy and safety, to give the company more market opportunities during the 1990s.

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PROCESS TECHNOLOGY

Unwanted isomers face elimination

LATER THIS year ICI Colours and Fine Chemicals division in Huddersfield will bring on-stream what is claimed to be the world's first production plant synthesising a chemical by a biotransformation. The £2m investment will synthesise optical isomers of hydroxy alkanonic acids, initially as a herbicide intermediate. Another £1m investment by ICI at Billingham will provide the micro-organisms used as biocatalysts.

Behind this project lies a growing belief in some quarters that regulatory pressures will increase rapidly for manufacturers to eliminate the unwanted one of any isomer



Isomer pairs are produced in equal amounts, but only one is biologically active

pair of organic compounds, where it is likely to come into contact with the environment, as in the case of an agro-chemical or pharmaceutical.

Chemical processes produce isomer pairs in equal amounts, but normally only one will be biologically active. The other, at best, will be a harmless diluent - "isomeric ballast", as it is sometimes called; but at worst a toxic contaminant. It is believed that an unwanted isomer was responsible for the malformations caused by the drug thalidomide.

Biotransformation is a promising new way of eliminating the unwanted isomer from the start, instead of removing it later, by bioseparation using enzymes as biocatalysts. The ICI process will be on the scale of 2,000 tonnes a year of the intermediate. It will use a process developed by ICI Biological Products at Billingham, which will continue to supply the micro-organisms.

Mr Frank Holt, business manager responsible for biocatalysis at ICI Biological Products, believes that within a decade regulatory authorities will require companies to justify the presence of any "inactive" isomer in biologically active products. His own market research has identified over 700 opportunities for biocatalysis to "clean up" isomeric mixtures currently being made chemically.

According to Dr H J Kooreman, director of new business development at International Bio-Synthetics (IBS), the joint biotechnology venture between Royal Dutch-Shell and Gist-Broekade, the Netherlands, of about 1,800 chemicals in common use as pharmaceuticals, about 1,000 are "chiral"; that is, they exist as isomer pairs, "as alike, and yet as different, as a left and right hand."

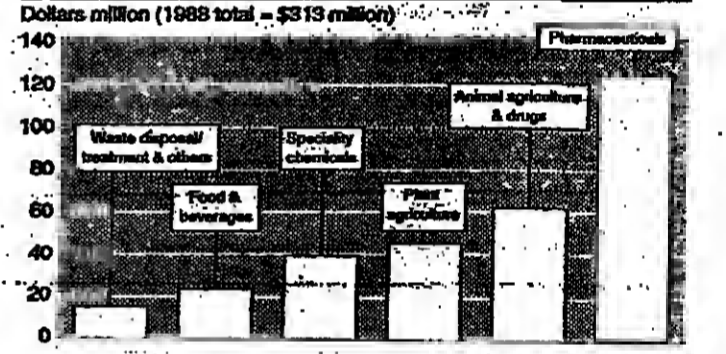
Since 1982, Gist-Broekade and Shell have jointly been

Product development calls for painstaking laboratory procedures such as cell evaluation

CHEMICAL VERSUS BIO SYNTHESIS		
	Chemistry	Biotechnology
Concentration	High	Low
Solvent	Organic	Aqueous
Temperature	-20 to 150°C	+4 to 70°C
Selectivity	Medium	High
Enantioselectivity	Clumsy	High
Versatility	High	Limited
Relative costs	Low	Medium

Source: Frost & Sullivan, Inc.

US demand for downstream equipment



shows US demand from six manufacturing sectors for downstream bioprocessing equipment, including laboratory requirements, in 1988. Growth in demand from bio-research has already slowed down, but with products beginning to go into production, demand is being spurred for process-scale equipment.

Growth sectors identified by the market researchers include membrane filtration, which affords such advantages as high throughput and high capacity, easing technology transfers from laboratory to process plant; and high-pressure chromatography, which they find is adapting well to process automation and is providing high-resolution purification of such products as monoclonal antibodies.

Chromatography is growing at the expense of the slower, less easily automated process of electrophoresis, they say. Nevertheless, they forecast growth in electrophoresis equipment from \$8m in 1988 to \$6m by 1993.

The laboratory market for centrifuges is rising "almost as fast as the sky," says Kooreman. Tubular and bowl centrifuges are losing ground to what is seen as the clear winner in this form of separation, the disc centrifuge. Their demand forecasts from the six manufacturing sectors identified ranks pharmaceuticals as the biggest opportunity, growing threefold from \$12m last year to \$37m by 1993. The second biggest sector in 1988, veterinary drugs and animal agriculture, is expected to more than double demand, from \$6m to \$14m in 1993.

The Biotechnology Directorate of the Science and Engineering Research Council has made efforts to stimulate the downstream market for British process plant manufacturers. SERC's recent review of biotechnology summarises the importance of engineering in commercial biotechnology in

general, noting specifically the importance of materials, as an area of research which straddles engineering and science.

"Most of the advances in the key separation techniques of chromatography and ultrafiltration have arisen from advances in materials," it states. It identifies "important interfaces between biomedical engineering and biotechnology which centre on materials."

Growth sectors are likely to include membrane filtration and chromatography

citing the use of immobilised proteins to purify blood; and the development of substrate materials for human skin, made by biotechnology processes.

A British bioseparation equipment manufacturer has recently received the accolade of a place in the industrial chemistry section of the Science Museum. This is the Biosteam electrochromatographic separator made by C J B Developments.

Harwell's Biochemistry group developed this prototype from research that began in Oxford University in the 1930s but lapsed for three decades. The original inventor, John St Ledger, FRS, provided the design on which Harwell investigated the engineering science and scaled up the process to a £100,000 commercial product which has found markets in the UK, the Soviet Union and Japan.

* Separation and purification equipment in the US biotechnology market. Report No A2023. Frost & Sullivan Inc, \$2.25.

** SERC Biotechnology Support: research and training 1980-2000. Available from the SERC, Polaris House, North Star Avenue, Swindon SN2 1ET. David Fishlock

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David Fishlock

Biotech instruments says that its BT 8500 Automatic DNA Synthesiser is simple enough for a non-chemist to use. The company started to develop its own products in 1985. But, says chairman Brian Lowings: "Most financial institutions don't appreciate the potential of DNA and peptide synthesis"

BIOTECHNOLOGY 3

David Fishlock on the links between major companies and research teams

The backers in the boardrooms

NO MAJOR company more clearly identifies its future with biotechnology than Monsanto, the US chemicals group, whose pharmaceutical subsidiary last month announced a major investment in Oxford, consolidating a biotechnology research partnership that began in 1983.

C D Searle merged with Monsanto in the mid-1980s but is still operating under its name, as a wholly-owned subsidiary. It has picked up Monsanto's interest in the work of Professor Raymond Dwek and his colleagues in Oxford's biochemistry department, on glycolysis, a branch of biochemistry specialising in sugar chemistry and the involvement of body sugars in biological processes. In glycolysis, the Oxford scientists lead the world, this company believes.

Prof Dwek is exploring unique defects in glycoproteins, which he believes may be related to such diseases as rheumatoid arthritis, tuberculosis, cancer and AIDS. He has already developed a blood sugar test which identifies arthritis in children, and he is beginning to test new treatments for some of these diseases.

For Searle — whose own biotechnology research in Britain was ended after it merged because of the overlap with Monsanto's own central research in St Louis — Oxford University is to be a new British research base, says Dr Sheldon Gilgore, chairman and chief executive officer.

Searle is providing £2.9m towards the cost of the new Glycolysis Institute, directed by Prof Dwek. Of the initial staff of 60 at the institute, 10 scientists are to be seconded from Monsanto's central laboratories. Searle will continue to fund the science itself — £1.1m this year, rising to £1.7m by 1992.

It is Monsanto's biggest single investment in academic biotechnology, Dr Gilgore says. Searle has a similar academic partnership with Washington University, St Louis, where it helps to fund a score of research programmes, although none so big as glycolysis.

But for Searle the opportunities for harnessing glycolysis straddle all four areas of drug research — cardiovascular, gastro-intestinal, central nervous system and immuno-

logy — on which it is focusing a pharmaceutical R and D budget exceeding £100m a year.

ICI is less clearly identified with biotechnology than Monsanto, but the underlying theme is no different, with over half of ICI's R and D budget of \$600m devoted to biotechnology, mainly for the pharmaceutical and agro-chemical sectors.

ICI's counterpart to Monsanto's Oxford investment is its long-standing support for the research of Prof Bill Brammer at Leicester University. For nearly a decade ICI has been funding a laboratory specialising in cancer and the expression of genes in mammalian cell systems. Currently this laboratory has a staff of 12, including scientists seconded from ICI, which sees its research as a separate core programme in molecular genetics.

For two major ICI divisions — pharmaceuticals and agro-chemicals — biotechnology is the bedrock of R and D. But for five years ICI has been devel-

oping a subsidiary devoted to biotechnology. ICI Biological Products is a federation of small biotechnology businesses, operating as a small company independent of the big divisions. It reports directly to a main board director, Dr Peter Doyle, research director.

This year the company has received the honour of a paragraph in ICI's annual report under "emerging businesses." According to Dr John Russell, general manager of its portfolio of five inter-related but still embryonic bio-businesses: "We have the style of operation of a small company but the backing of a big one."

Dr Russell is careful to avoid the territories of the biology-based divisions. "We are not trying to develop new drugs, agro-chemicals or seeds," but he will do R and D under contract for ICI divisions. For the group as a whole, perhaps the most pervasive opportunity opened so far by his team lies in biotransformations, the use

of biotechnology to make the desired one of a pair of optical isomers.

Chemical processes produce isomer pairs in equal amounts, but only one will be biologically active. The other will, at best, be a harmless diluent, reducing process yield, and at worst a toxic contaminant that must be removed. Later this year, ICI Colour and Fine Chemicals division will bring on-stream what Dr Russell claims is the first production plant in the world making a chemical by a biotransformation.

Sandoz, the Swiss pharmaceutical and chemicals group, has negotiated co-operative agreements with three US biotechnology research companies and a private research institute. One is a 60:40 joint venture between Sandoz Chemical Corporation in the US and Repligen Corporation.

Repligen Sandoz Research Corporation of Lexington, Mass., set up last September, is focusing initially on the devel-

opment of lignite degrading and modifying (LDM) enzymes for use in papermaking, where it is hoped they will eliminate a toxic waste; and on Bacillus thuringiensis as a species-specific microbe for insect control. Repligen transferred its technologies to the joint venture in exchange for equity, with Sandoz funding the R and D.

The other three partnerships relate to drugs. With Genelabs it is a research agreement in cytokines. Cytokines are biologically active substances — such as interferons and interleukins — which help regulate the immune system. The partnership is seeking new cytokines derived from suppressor T-cells, that might be used to combat AIDS. The agreement is also being funded by Sandoz.

With the Wistar Institute, one of the first laboratories in the field of monoclonal antibodies, the target is new uses which might treat tumours. With Genetics Institute, the target is development and manufacture of lymphokines tailored to cancer chemotherapy, bone marrow transplantation and AIDS.

Sandoz has also entered into an agreement with Schering-Plough for co-development and co-marketing worldwide of the lymphokine GM-CSF (granulocyte-macrophage colony stimulating factor), regardless of whether the version it has licensed from Genetics Institute or the rival from Schering-Plough is eventually chosen for marketing.

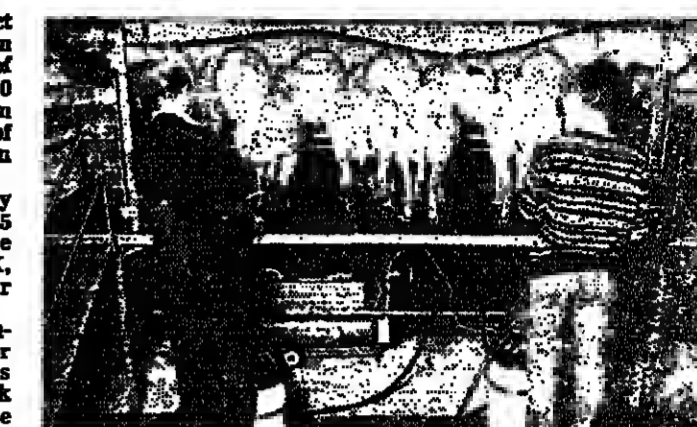
A new partnership which has excited comment is that between Hoffmann-La Roche and Cetus, the Californian biotechnology company, until recently rivals in the race to market interleukin-2, naturally occurring protein with a role in defending the body against cancer. Cetus has genetically engineered a route to this drug and invested more than £10m to make it. Roche has rights to a Japanese version invented by the food group Ajinomoto.

It promised to be a major legal battle until last December when the two companies signed a cross-licensing agreement on the technology — although not the products.

The unanswered question is to what extent Cetus, while still laying claim publicly to plans of becoming a major pharmaceutical group in its own right, has actually sold its birthright to Roche.

A 15-year, \$3bn international project

It's all in the genes



Milking sheep that carry the gene for the human blood clotting protein Factor IX, at the AFRC's Edinburgh research station

AN INTERNATIONAL project to map the entire human genome, identifying the role of each one of perhaps 100,000 genes, has been launched in the US. So far, the functions of only a few thousand human genes have been defined.

The project will probably cost at least \$3bn and take 15 years to complete. Some nations, including the UK, have already launched their own contributing projects.

Late last month a press conference called at Cold Harbor Laboratory, the genetics research centre near New York run by the Nobel laureate James Watson, announced the birth of the Human Genome Organisation, with 220 members among 23 nations. Dr Victor McKusick, a geneticist with Johns Hopkins University, is its first president, and it plans to register in Geneva as a non-profit-making body.

Already involved in the human genome programme are several major US research-based companies, such as Abbott Laboratories, Beckman Instruments and IBM, as well as specialist biotechnology companies. The more far-sighted see it as the basis of new drugs and protein products perhaps 20-30 years on, but a near-term opportunity for highly automated analytical tools, novel chemicals and information technology.

In Britain, genome mapping is a new earmarked project approved by the Advisory Board for the Research Councils earlier this year, when the board dispensed an additional £300m in the science budget for the next three years. The board said it gives high priority to this project and to the Medical Research Council's ideas for an information and resource centre and a programme of directed research. The AFRC has earmarked £11m over the next three years, as a contribution to the international project.

Four of the research councils now have biotechnology research programmes. For the Agricultural and Food Research Council (AFRC), research involving transgenic animals accounts for about £4m a year. This is the development of true-breeding lines of large animals such as sheep by micro-injection of foreign genes, to create sources of human proteins of therapeutic or diagnostic value.

For example, transgenic sheep at the AFRC Institute of Animal Physiology and Genetic Research at Edinburgh are now being milked as a source of a human blood clotting protein, Factor IX (alpha-1-antitrypsin) guaranteed free from contamination by HIV (the AIDS virus) or hepatitis B. Edinburgh University, where the AFRC also funds work in the genetics department, is to host an interdisciplinary research centre specialising in gene transfers of this kind.

Last year Pharmaceutical Proteins, a commercial research venture, was set up in Edinburgh, with financial help from the Scottish Development Agency and others, to exploit the AFRC patents on transgenic animals. Its goals include raising the yields of Factor IX — which it believes may have a role in treating emphysema.

The AFRC's main commercial venture in biotechnology, however, is the Agricultural Genetics Company (AGC), born in 1983, as a vehicle for exploiting plant biotechnology developments, along lines pioneered by Celtech in 1983 in respect of the Medical Research Council.

Cambridge-based AGC has built up a staff of 69 and is

supporting 93 scientists working at AFRC institutes. The AFRC itself is spending about £2m a year in six of its institutes on projects of direct interest to AGC.

AGC recently reported that in its first full year of operation, its new technology transfer division has generated more than £1m.

Licences for AGC's proprietary gene transfer technology for imparting insect resistance to crops have been granted to two US companies, Pioneer HiBreed International for corn and other crops, and Calgene for cotton. They are worldwide but non-exclusive agreements, allowing the AFRC's patented CytI gene to be transferred to elite proprietary seed. The target, says AGC, is to replace "a significant portion" of the £1bn world market for chemical insecticides used for corn and cotton alone.

A collaborative agreement between AGC and Noovo, CRAI, the central research and development centre of Italy's

helped by the improving economic climate — more were persuaded. A study by Sussex University's science policy research unit of the Protein Engineering Club, founded in 1985, reports that after three years it had created a close-knit research community in a field where it would not have happened spontaneously.

However, the study also recognised that creating such clubs required considerable research management time — over half-a-man-year was estimated. Choosing the right programme manager was also a crucial matter, it found.

The directorate insochod two more clubs in 1988: the Animal Cell Biotechnology Club, and the Antibiotics and Recombinant DNA Club.

A review of biotechnology research and the performance of its Biotechnology Directorate was conducted by the SERC last year. As a result, the research council plans to expand its activities in research and training and

RESEARCH COUNCIL SPENDING 1988	£m
Medical (MRC)	37
Agricultural and Food (AFRC)	20
Natural Environment (NERC)	7
Science and Engineering (SERC)	5

foresees the directorate continuing for another six years.

Among the achievements this review has identified are the industrial development of research in "engineering" novel proteins by the Medical Research Council's Laboratory of Molecular Biology in Cambridge, and MRC units at Imperial College, London. It reports "an explosive increase of activity in academia and industry."

For protein engineering, the directorate has organised a club that has brought together "multi-disciplinary groups at different academic sites with overall management and close industrial supervision." The review notes the particular emphasis on the organisation of protein sequence and three-dimensional structural data into a relational database to be used as a design aid in protein engineering.

As for the Animal Cell Biotechnology Club, the review says that with animal cell culture playing an increasingly important industrial role in making monoclonal antibodies and recombinant proteins for pharmaceuticals, the club's programme was established to underpin the design of more efficient industrial processes.

The focus is on a better understanding of the physiology of animal cells and, says the review, 15 months' experience has shown that it has been valuable to bring in groups whose previous experience was in microbial physiology and biochemistry.

David Fishlock



A technician monitors a bio-reaction vessel for Cetus

DIAGNOSTICS

DNA may tackle heart disease

THE TECHNIQUE of DNA or genetic fingerprinting — now widely hailed as the greatest breakthrough in forensic science this century — was discovered only five years ago by Professor Alec Jeffreys of Leicester University.

It was first used in a major criminal investigation in 1987, to track down the killer of two teenage girls in Leicestershire, and legal history was made later that year when the first rapist was convicted on the basis of his DNA fingerprint.

Forensic scientists worldwide now use the technique for investigating rape and murder cases. If any genetic material has been left behind at the scene of the crime — in semen or blood or even a hair root — it is often possible to obtain a unique DNA fingerprint or profile of the criminal. By matching this against DNA fingerprints taken from suspects, police can unequivocally eliminate the innocent or identify the guilty.

The same technique is used routinely to resolve paternity disputes. Unlike conventional blood tests, which are often inconclusive, DNA fingerprinting will show beyond doubt whether or not a man is the father of a particular child. And in the UK it is helping to prove claimed family relationships in immigration cases.

The technique, which has been commercialised in the UK by Cellmark Diagnostics, an ICI subsidiary, uses an 11-stage laboratory procedure to "read" the Jeffreys sequences as a pattern of bands on X-ray film, similar to a supermarket bar code. They are located with DNA probes — small pieces of synthetic DNA which attach themselves to the target sequence.

Genetic fingerprinting is only one of the new diagnostic procedures made possible by DNA probes. According to a market research report by Frost & Sullivan, world sales of DNA probes will have grown from almost nothing in 1987 to more than \$600m in 1992 (with the market in Western Europe put at \$262m). Most will be used for medical diagnosis.

Although the highly variable Jeffreys sequences are genetic material in the sense that they are passed on from one generation to the next, they come into a category sometimes known as "junk DNA." They

are not genes coding for particular proteins — indeed their function, if any, is unknown.

Real genes are far less variable. A single change in the DNA sequence of a functional gene will often cause a serious or fatal disease. Medical scientists worldwide have carried out a lot of painstaking research to pinpoint the genetic faults responsible for the major inherited diseases, but most have not yet been precisely identified. In many cases, researchers have got very close to the genetic defect by studying affected families but not yet to the defect itself.

DNA probes to identify single-gene disorders are therefore still mainly a research tool. However, some hospitals are beginning to use them to screen groups at risk from particular inherited diseases.

A good example is thalassaemia, a serious blood disorder which particularly affects people of Mediterranean origin. King's College Hospital in London offers a thalassaemia screening service to Cypriot families. Doctors remove a tiny sample of foetal tissue (known as chorionic villus) from women in about the eighth week of pregnancy and apply DNA probes to detect the genetic defect known to cause thalassaemia. If the test is positive, the woman can have an early abortion.

DNA probes are soon likely to be used widely to diagnose other relatively common single-gene disorders, such as cystic fibrosis, muscular dystrophy and Huntington's disease, early in pregnancy.

But each of these diseases affects fewer than one in a thousand of the general population. Later in the 1990s, DNA probes will be developed to identify susceptibility to far more common diseases, which have multiple causes including a strong genetic component. The most example important is

likely to be coronary heart disease — responsible for about a quarter of all deaths in industrialised countries.

Another Frost & Sullivan report estimates that the potential US market for prognostic tests of this sort could exceed 100m tests per year. Their use will provoke

Should employers be allowed to test employees' genetic susceptibility to occupational diseases?

much ethical debate. For example, should employers be allowed to test employees' genetic susceptibility to occupational diseases? Should insurance companies ask clients to be tested for susceptibility to heart disease?

Of course, DNA probes can also identify non-human genetic material. The most important application here is identifying bacteria and viruses. During the 1990s DNA probes are likely to compete with the other recent breakthrough in diagnostic technology — tests based on highly specific (monoclonal) antibodies.

They will be used not only by doctors to diagnose diseases in patients but also by the food and water industries to detect contamination. These DNA probes may be either fairly general, for example to detect a range of organisms that cause gastroenteritis, or very specific, for example to identify the gene that makes a particular strain of bacteria resistant to an antibiotic.

Clive Cookson
Technology Editor

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COMMODITIES AND AGRICULTURE

NFU cautious on nitrate plan

By Bridget Bloom, Agriculture Correspondent

MORE INFORMATION will be needed on two key issues before the National Farmers' Union is able to judge whether it can fully accept the British government's new plans to curb nitrate pollution of water supplies. Mr David Naish, deputy President of the NFU, said yesterday.

Mr Naish was commenting on the Government's proposals, published earlier this week, to set up experimental zones where restrictions on the use of nitrate fertiliser and other agricultural practices would be introduced in an effort to lower nitrate levels in Britain's drinking water supplies.

land had a cover crop during the winter, could prove costly to farmers. Broadly, however, the NFU welcomed the Government initiative, and was pleased that the schemes were to be voluntary in the first instance.

Mr Naish acknowledged that incidents of water pollution by farmers had increased by 6 per cent last year, although farmers still only caused 30 per cent of all water pollution incidents.

Coffee talks 'set to fail again'

By David Blackwell

THE INTERNATIONAL Coffee Organisation's recovery meeting early next month on the future of the international agreement is unlikely to be any more successful than the April meeting, according to the latest coffee report from S.D. & F. Mearns, the London trader.

Bleak outlook seen for silver

By Kenneth Gooding, Mining Correspondent

THE FALL in the price of silver below \$8 a troy ounce this year has forced the closure of some marginal mines and analysts do not hold out any hope of a substantial recovery in the short term.

price of about \$9 an ounce to break even. This is "reminiscent of the poor state of the industry in the early 1980s when a number of US mines were put onto care-and-maintenance due to unprofitability," says Ms Rhona O'Connell, precious metals analyst in Shearson Lehman Hutton's London metals research team.

silver has emerged whenever the spot price has dropped below \$8 an ounce but a test of \$2.50 cannot be ruled out. She estimates that the silver price will average \$6 an ounce this year, down from \$8.58 last year and more than \$7 in 1987.

Yeutter faces tough decision on soya oil

MR CLAYTON Yeutter, the US Agriculture Secretary, said yesterday that the US Department of Agriculture had not yet made a decision on whether to propose offering subsidised soyabean oil to the Soviet Union, reports Kenter from Washington.

1.5m tonnes of subsidised wheat to Moscow was called into question because of the low level of wheat stocks, vegetable oil stocks are at record high levels - 3.5bn lbs, including 2.9bn lbs of soyabean oil.

Time running out for Ethiopian agriculture

Julian Ozanne on the problems which are forcing a change in the direction of reform



President Mengistu: Growth has not been 'encouraging'

has been, the engine of Ethiopia's economic growth. It accounts for 40 per cent of GDP, 80 per cent of employment and 85 per cent of exports. And its performance inevitably has a ripple effect on other sectors.

recurrence of mass starvation, said Dr Ingo Loerbroeks, an FAO representative. While bad weather has been the most obvious culprit mismanagement over the past decade has also played its part in Ethiopia's agricultural problems.

to allow the transfer of produce from surplus regions to areas of need. Private grain traders, who disappeared in the 1970s, were given licences and farmers allowed to sell their surplus on the open market rather than exclusively to the Agricultural Marketing Corporation.

being considered inside the Ministry of Agriculture to help reach food self-sufficiency and boost exports. They include: concessional leasing of land for periods of up to 25 years; encouraging private commercial farming; hiring of labour; devoting less resources to state farms; establishing rural small scale and cottage private industries; and more liberal pricing and marketing policies.

LONDON MARKETS

Table with columns for Commodity, Close, Previous, High/Low. Includes sections for ALUMINIUM, COPPER, SPOT MARKETS, SOYABEAN, COCAOA, RUBBER, and GRAIN.

COCAOA \$/tonne

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

COPPER \$/tonne

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

SUGAR \$/cwt

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

CRUDE OIL \$/barrel

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

GRAIN \$/cwt

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

FRUIT AND VEGETABLES

Table with columns for Commodity, Close, Previous, High/Low. Includes items like Apples, Bananas, Grapes, etc.

LONDON METAL EXCHANGE

Table with columns for Commodity, Close, Previous, High/Low, AM Official, Korb close, Open interest. Includes Aluminium, Cash, Copper, Silver, Lead, Nickel, Zinc.

POTATOES \$/tonne

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

SOYABEAN MEAL \$/tonne

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

PREMIUM FUTURES 5/10/under point

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

GRAIN \$/cwt

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

WORLD COMMODITIES PRICES

Table with columns for Commodity, Price. Includes Wheat, Rice, Sugar, Coffee, Tea, etc.

US MARKETS

IN THE METALS, gold and silver advanced as short covering in front of Friday's US producer price figures elicited buy stops, reports Drexel Burnham Lambert. June gold peaked at \$353 while silver reached a high of \$17.75 before local selling pushed futures lower.

New York

Table with columns for Commodity, Close, Previous, High/Low. Includes Gold, Silver, Platinum, Palladium, etc.

Chicago

Table with columns for Commodity, Close, Previous, High/Low. Includes Soybeans, Soybean Meal, Soybean Oil, Corn, etc.

CRUDE OIL (Light 42,000 US galls \$/barrel)

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

HEATING OIL 42,000 US galls, central US \$/barrel

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

COCAOA \$/tonne

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

COPPER \$/tonne

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

SUGAR \$/cwt

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

INDICES

Table with columns for Index Name, Value. Includes S&P 500, Dow Jones, etc.

SOYBEANS \$/bu

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

SOYBEAN MEAL \$/cwt

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

SOYBEAN OIL \$/cwt

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

WHEAT \$/bu

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

WHEAT \$/bu

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

WHEAT \$/bu

Table with columns for Month, Close, Previous, High/Low. Data for May 89, Jun 89, Jul 89, Aug 89, Sep 89, Oct 89, Nov 89, Dec 89, Jan 90, Feb 90, Mar 90, Apr 90, May 90.

LONDON STOCK EXCHANGE

Interest rate worries upset equities

WORRY over the outlook for the US dollar and for global interest rates continued to unsettle equities yesterday in London market also beset by hints of renewed strains among some securities houses...

equities are on their way to FTSE 2,350. By September, he believes, however, that the index could dip to around 2,000 in the near term. The continued firmness of the US dollar fuelled fears that interest rates might be forced higher in Germany and Japan...

returning a total of 430.5m shares, against 466.6m in the previous session. Despite some improvement last week, equity volumes have remained low over the past two months, and there were hints yesterday that market firms were taking another, somewhat despairing, look at their financing costs.

GrandMet provision hurts

In spite of a 30 per cent jump in half-year profits to 530m, the food, hotels and drinks group Grand Metropolitan saw its shares plummet in busy trading. They closed down 24 at 557p on turnover of 12m shares.

sure with dealers reporting keen buying interest for the Continent, at the close Barclays were 3 ahead at 467p on turnover of 1.4m. Lloyds, among the strongest of the banks after the recent spate of buy notes, suffered with a 10 decline to 370p while Midland fell 8 to 357p and NatWest 6 to 309p.

On a brighter note, Braithwaite was encouraged by news that disposal of the Godiva fire-fighting equipment subsidiary could realise 17m and rose 9 to 285p. Christie's International founded 61 to 98p in the wake of the highly successful auction by Sotheby's in the US of Impressionist and modern paintings and sculptures.

The takeover battle for Chamberlain Phipps reached an intriguing stage but the action occurred outside the market. Evode claimed 41.1 per cent of the equity through eleven-month acceptance of its share-exchange offer and said it was still counting while rival Bowater maintained shareholders representing 28.4 per cent had accepted its all-cash terms.

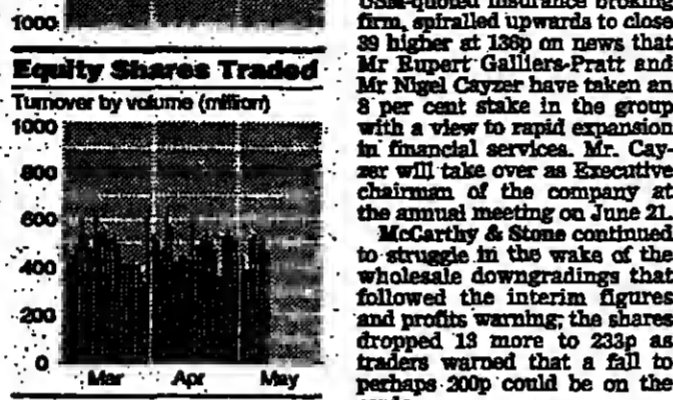
News that major shareholder Capras Industries had increased its stake to 16.7 per cent combined with favourable advice from a securities analyst that the company was a buy, pushed the share price 4 further to 157p. Mr David Jacobi of County NatWest Woodmac thinks the sale of Automotive Suspensions increases the likelihood of the group's independence, but the deal is sufficiently unattractive to warrant the current rating.

Although the company explained that the move was partly to take account of increased liability for Pillsbury employees' medical insurance in the US, the market assumed the rest was for the reorganisation of Pillsbury. 'GrandMet is either being over-cautious, or it knows something we don't about Pillsbury,' said a trader who remarked that a price appeared to be taking the latter view.

As for the interim figures, the reaction was generally positive and most brokers seemed to be sticking by their forecasts for the full year, which range from 590m to 720m. When the market was time to digest the full implications of the provisions then the share price could recover, suggested one analyst. Another, Mr Andrew Buchanan of Hoare Govett, concluded: 'Sentiment has undoubtedly been damaged by the provisions; GrandMet is not a company that needs to indulge in financial engineering because it normally the story is so good.'

The market's conviction that overseas interests had built up a stake in supermarket group Asda proved well-founded yesterday when the company revealed that the 212 notice had flushed out the presence of a Canadian group on its share register. The news that First City Financial Corporation of Vancouver, the vehicle of the well-known arbitrageurs, the Belberg brothers, now holds 29.6m shares, or 2.52 per cent of Asda, pushed the share price 5/4 higher to 172p in active trade. 15m shares changed hands during the day.

The consensus among followers of the stock was that the stake would not be used as the platform for a full bid. It appears that the Belberg brothers were heavy buyers of Asda at 153p and that they sold part of their accumulated...



FINANCIAL TIMES STOCK INDICES

Table with columns for indices (Government Secs, Fixed Interest, Ordinary, Gold Mines, etc.) and rows for dates (May 11, 10, 9, 8, 5, Ago, High, Low, Since Completion).

TRADING VOLUME IN MAJOR STOCKS

Table listing trading volume for various stocks including Asda Group, British Airways, British Telecom, etc., with columns for Volume, Price, and % Change.

FT LAW REPORTS

Third party can claim insurance

IRISH SHIPPING LTD v COMMERCIAL UNION ASSURANCE COMPANY PLC AND ANOTHER. Court of Appeal (Lord Justice Purchas, Lord Justice Staughton and Sir John Megaw; April 27 1989).

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (1989) - Asda Group (157p), British Airways (285p), British Telecom (157p), etc. LOWS (1989) - Asda Group (153p), British Airways (285p), British Telecom (157p), etc.

APPOINTMENTS

for France and Scandinavia at Peleco. Mr M P Parker, managing director of ICI (South Africa), has been appointed a director of ICI CHEMICALS AND FINE CHEMICALS from July 1. Mr Kenneth Dibben has been elected to the board of MARCHAM COURT MANAGEMENT CO and appointed chairman in place of Sir John Cockney who has retired from the board.

Reorganisation at London Transport

LONDON REGIONAL TRANSPORT, the holding company for London's bus and Underground services, yesterday completed the reorganisation of its top management following a public inquiry under the King's Cross fire disaster, writes Kevin Brown, Transport Correspondent. LRT said the position of chairman and chief executive of London Buses, the bus operating subsidiary, was being split into two parts to ease the workload on Mr John Telford Bessley. Mr Bessley was appointed acting chief executive of LRT, in addition to his role as chairman and chief executive of London Buses, in the wake of Mr Desmond Bennell's report on the fire, which killed 31 people in November 1987.

GEORGE WIMPEY has appointed Mr D.G. Brent (above) as deputy managing director of Wimpey Construction UK, based in Hammar-smith. He was previously divisional director for the Scottish and North Eastern regions of Wimpey Construction.

managing director of London Underground, and Mr Clive Hodson, managing director of London Buses. Mr Newton was formerly chairman of the Hong Kong Mass Transit railway. Mr Tunnicliffe was formerly a senior manager of British Airways; Mr Hodson has been finance director of London Buses since 1980.

Mr Douglas Campbell has joined FLOFAX as marketing director for the UK and European operations. He was regional marketing controller

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AUTHORISED UNIT TRUSTS

Main table containing unit trust information, including columns for Unit Trust Name, Unit Price, and other financial details. The table is organized into multiple columns and rows, listing various investment funds.

GUIDE TO UNIT TRUST PRICING. This section provides detailed instructions on how to interpret the unit trust prices, including information on currency, rounding, and the source of the data.

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Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-625-2122

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'MANAGEMENT SERVICES', 'OFFSHORE AND OVERSEAS', 'GUERNSEY (SIB RECOGNISED)', 'LUXEMBOURG (SIB RECOGNISED)', and 'JERSEY (SIB RECOGNISED)'.

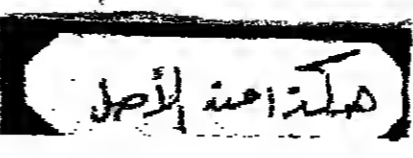
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FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their performance, and details.

LONDON SHARE SERVICE

Table of London Share Service listing various funds, including British Funds, Commonwealth & African Loans, Foreign Bonds & Rails, and American Funds.



COMMONWEALTH & AFRICAN LOANS

Table listing Commonwealth & African Loans with columns for fund name, price, and yield.

FOREIGN BONDS & RAILS

Table listing Foreign Bonds & Rails with columns for fund name, price, and yield.

AMERICANS

Table listing American Funds with columns for fund name, price, and yield.

Money Market Bank Accounts

Table listing Money Market Bank Accounts with columns for bank name, account type, and interest rate.

Money Market Trust Funds

Table listing Money Market Trust Funds with columns for fund name, price, and yield.

LONDON SHARE SERVICE

Least Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-225-2128

AMERICANS - Contd

Table listing American companies such as Amgen, Amstar, and Amstar Chemical, with columns for stock price, bid, offer, and percentage change.

BUILDING, TIMBER, ROADS - Contd

Table listing building, timber, and road companies such as Amstar, Amstar Chemical, and Amstar Chemical.

DRAPERY AND STORES - Contd

Table listing drapery and stores companies such as Amstar, Amstar Chemical, and Amstar Chemical.

ENGINEERING

Table listing engineering companies such as Amstar, Amstar Chemical, and Amstar Chemical.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial companies such as Amstar, Amstar Chemical, and Amstar Chemical.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial companies such as Amstar, Amstar Chemical, and Amstar Chemical.

CANADIANS

Table listing Canadian companies such as Amstar, Amstar Chemical, and Amstar Chemical.

ELECTRICALS

Table listing electrical companies such as Amstar, Amstar Chemical, and Amstar Chemical.

FOOD, GROCERIES, ETC

Table listing food and grocery companies such as Amstar, Amstar Chemical, and Amstar Chemical.

INDUSTRIALS (Miscel.)

Table listing industrial companies such as Amstar, Amstar Chemical, and Amstar Chemical.

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Table listing industrial companies such as Amstar, Amstar Chemical, and Amstar Chemical.

INDUSTRIALS (Miscel.)

Table listing industrial companies such as Amstar, Amstar Chemical, and Amstar Chemical.

BANKS, HP & LEASING

Table listing bank and leasing companies such as Amstar, Amstar Chemical, and Amstar Chemical.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies such as Amstar, Amstar Chemical, and Amstar Chemical.

DRAPERY AND STORES

Table listing drapery and stores companies such as Amstar, Amstar Chemical, and Amstar Chemical.

INDUSTRIALS (Miscel.)

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INDUSTRIALS (Miscel.)

Table listing industrial companies such as Amstar, Amstar Chemical, and Amstar Chemical.

Hire Purchase, Leasing, etc.

Table listing hire purchase and leasing companies such as Amstar, Amstar Chemical, and Amstar Chemical.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies such as Amstar, Amstar Chemical, and Amstar Chemical.

DRAPERY AND STORES

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to improve

The US dollar retained the confidence of investors in currency markets yesterday, struggling to hold its ground against the expected US retail sales in April and gaining strength from suggestions that additional US troops may be moved into Panama to protect US citizens after post-election violence.

The dollar opened at around DM1.9070 and broke through the DM1.91 level before lunch. It finished in London at DM1.9135 up from DM1.9050 on Wednesday. It was also firmer against the Japanese yen, rising to its best level since September last year at Y134.20, and compared with Y134.40 on Wednesday. Elsewhere, it finished at SF1.7055 from SF1.6925 and FF6.4700 from FF6.4325.

While central banks retained yesterday from any attempt to control the dollar's rise, some traders remain cautious, suggesting that renewed attempts are likely, whether through higher interest rates or further co-ordinated dollar sales.

FINANCIAL FUTURES

US Treasury bonds rise

PRICES OF US Treasury bond and Eurodollar futures rose on Life yesterday, following news that US retail sales rose only 0.1 per cent in April, after a revised unchanged figure in March.

election. June Treasury bonds rose to 89-19 from 88-13 and Eurodollars for June delivery climbed to 90.15 from 90.11. However, the firmer tone was limited, as traders awaited the results of the US 30-year bond auction, due after the close of business on Life.

June short sterling futures showed little movement, closing unchanged at 88.92 while long gilt futures for the same month eased to 95-03 from 95-04.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Unit, Rate, % change, % change adjusted for divergence, Overvalue %.

STERLING INDEX

Table with columns: Date, Index value, % change.

CURRENCY RATES

Table with columns: Currency, Rate, % change.

CURRENCY MOVEMENTS

Table with columns: Currency, Movement, % change.

OTHER CURRENCIES

Table with columns: Country, Rate, % change.

MONEY MARKETS

Rates hold steady

INTEREST RATES in London remained steady yesterday in a market generally lacking fresh factors. Weaker than expected US retail sales figures in April helped keep upward pressure on rates, while publication of the Bank of England's Quarterly Bulletin came too late to have any impact.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Date, Spot, Forward, % change.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Date, Spot, Forward, % change.

EURO-CURRENCY INTEREST RATES

Table with columns: Currency, Term, Rate, % change.

EXCHANGE CROSS RATES

Table with columns: Currency, Rate, % change.

FT LONDON INTERBANK FIXING

Table with columns: Term, Rate, % change.

MONEY RATES

Table with columns: Term, Rate, % change.

LONDON MONEY RATES

Table with columns: Term, Rate, % change.

BASE LENDING RATES

Table with columns: Bank, Rate, % change.

BASE LENDING RATES

Table with columns: Bank, Rate, % change.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol, Last, % change.

BASE LENDING RATES

Table with columns: Bank, Rate, % change.

LIND-WALDOCK & COMPANY COMMERCIAL AND INSTITUTIONAL DIVISION. Personal & professional brokerage in futures & options. 24-hour trading room & back office operation. Direct access to trading floors. Direct access to senior management. Back office transactions twice daily for European clients. Competitive commission rates.

INTERNATIONAL TELECOMMUNICATIONS. The Financial Times proposes to publish this survey on: 17th July 1989. For a full editorial synopsis and advertisement details, please contact: Jeremy Bauf on 01-873 3000 or write to him at: Number One Southwark Bridge London SE1 9HL.

JOTTER PAD. A grid for writing notes.

CROSSWORD. No. 6,932 Set by GRIFFIN. A crossword puzzle grid.

ACROSS. 1 'Having the same duration as summer' at once appears wrong (12). 10 Politicians get penalised (7). 11 Managed to continue to find capital (7). 12 Tense a couple of fellows after church (5). 13 Pity meal disrupted school break (6). 14 Having terrible pain rested unreasonably in flat (10). 15 John, having said 'Kay can return' (4). 16 Volunteers to go to court, showing diplomacy (4). 18 Mix with me at a ball, dancing round minehead (10). 22 Starts typing novel 'Drama in the Wood' (6). 24 Condition rejected when accepting plastic gun model (5). 26 On crushing a riot inter-nally makes speech (7). 27 First left on entering the plant (7). 28 Be told it's ended badly without getting discouraged (12). DOWN. 2 Unsatisfactory labourer is impulsive (7). 3 Passenger list mother has sent if travelling (8). 4 Fellow climbing a pole, indicates agreement (4).

WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, Canada, Germany, Italy, Japan, and the UK. Columns include stock names, prices, and changes.

Table of stock market data for various countries including Australia, Canada, Germany, Italy, Japan, and the UK. Columns include stock names, prices, and changes.

Table of stock market data for Canada, including Toronto and Montreal closing prices for May 10. Lists various stock symbols and their corresponding prices.

Table of stock market data for various countries including Australia, Canada, Germany, Italy, Japan, and the UK. Columns include stock names, prices, and changes.

Table of stock market data for Tokyo, listing most active stocks on Thursday, May 11, 1989.

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NYSE COMPOSITE PRICES

Main table of NYSE Composite Prices, listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER

Nadaq national market, 2pm prices May 11

Table of Over-the-Counter prices, listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

2pm prices May 11

Table of AMEX Composite Prices, listing various stocks with columns for stock name, price, and change.

Advertisement for Financial Times: 'Your FT hand delivered in Norway'. Includes text about business centers and contact information for Oslo (02) 678310.

Advertisement for air travel: 'Travelling by air on business?'. Lists airlines like GENEVA, ZURICH, and BASEL.

AMERICA

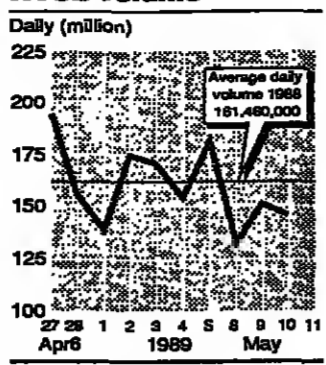
Dow fluctuates in sluggish trade after retail data

Wall Street

THE DAY began on a dull note yesterday with share prices fluctuating in a narrow range to stand slightly higher at mid-session compared with Wednesday's close...

tionally been nothing to provoke a dramatic recovery of a further significant fall. The market is moving sideways with the only large overall fluctuations being prompted by waves of programmed stock index arbitrage trades...

NYSE volume



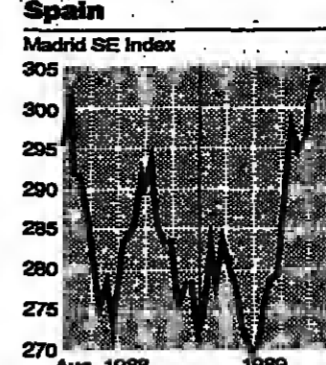
Spanish agentes devote energies to Repsol

In spite of a lack of sellers, it was the oil giant's day on the bolsa, writes Peter Bruce

THE agentes de Camhlo y Bolsa, the brokers on the Madrid stock market, are very big deals indeed. While the antiquated market goes about its chaotic, loud business...

Benito & Monjardin International (B&M), had already taken orders from outside Spain for more than half a million shares. Would there be any paper on offer?

Spain



By late afternoon in Madrid, all eyes had turned to New York, where 1.5m shares had moved in the first 30 minutes of trading. By 5 pm in Spain, New York had sold 2.2m shares, with the price touching Pta 2,060...

heavily oversubscribed national offering. This was probably unfair, given Repsol's stated intention to spread the flotation as widely as possible. Most of the complaints were probably the work of embittered intermediaries whose hopes of collecting chunky commissions on big purchases had been dashed.

ASIA PACIFIC

Cautious investors confine Nikkei to modest advance

Tokyo

INVESTORS maintained their cautious stance yesterday because of fears of a possible increase in Japan's official discount rate. Share prices managed only a modest advance in directionless and thin trading...

Furthermore, they would have considerable difficulty justifying buying at present levels, while in excess in the official discount rate is widely expected in the near future.

modest gain of 4.34 to 33,035.69 on volume up to 90.1m shares from 76.6m traded on Wednesday. Sumitomo Metal added Y19 to Y964.

EUROPE

Interest rate concern weighs down bourses

INTEREST RATE worries dampened trading again in Europe, although corporate news maintained interest in selective stocks, writes Our Markets Staff.

Euroland had a busy day, rising FTSE 100 to 3,012.50 with more than 1m shares traded in Paris. The stock was also popular in London, reportedly highlighted by the current £8.6m warrants issue being led managed by Salomon Brothers.

sharp rise in first quarter profits - above expectations. The steel maker trading ex a FI 4 dividend, declined FI 5 to FI 100.20. Profit-taking sent Nedlloyd, the shipping company, FI 15.30, or 3.7 per cent, lower to FI 390.20 after recent speculative gains.

MADRID lost ground as all eyes fixed on the start of trading in Repsol. The general index eased 0.41 to 303.25. ZURICH remained in the grip of inflation worries, losing ground amid news of a 2.6 per cent annual rise in domestic inflation last month - the highest annual rate since December 1985.

government proposal to introduce a temporary compulsory savings scheme in an effort to cool the economy. Just after the market closed, Sandvik, the cemented carbide and special steels group, revealed an 18 per cent increase in first quarter net profits to SKR705m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for National and Regional Markets, Wednesday May 10 1989, Tuesday May 9 1989, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, World Ex. UK, World Ex. Jpn, and The World Index.

Wholesale prices rose in March to give an annualised rate of 6.5 per cent - the highest year-on-year figure since June 1982. German money supply and producer price data also remained positive, along with a spate of economic figures from the US and consequently, there was more than a sneaking suspicion that interest rates might rise on Thursday (when the Bundesbank next meets), one analyst said.

The Danish outlook on rates sent the DA index down 1.58 to 1,258.79, having risen 5.42 points earlier. The FAZ, which is based on midday prices, was little changed, off 0.01 at 575.88. Foreigners stayed mostly on the sidelines and volume slipped to DM3.5bn.

Individual stocks overcame the general gloom, with VW closing DM4.20 higher at DM244.70 after reaching a peak of DM247. It announced a 30 per cent rise in annual profits its previous day. Computer maker Nixdorf had what one analyst called "a nice speculative run," gaining DM4.70 to DM315.20 amid takeover talk. Feldmühle Nobel rose 1.50 to DM161.12, adding DM5.80 to DM260.30.

PARIS floundered again, spending all morning waiting for the US retail sales figures and then responding little in the afternoon to news that they were better than expected. The CAC 40 index fell 4.27 to 1,672.83 and the OMF 50 index dropped 0.59 to 474.12. Volumes were again estimated at about FFR1.8bn.

One of the day's most active shares was Montedison, which closed L7 up at L2,150, before being marked lower at L2,135. AMSTERDAM weakened in low activity, with Royal Dutch/Shell one of the few advancing stocks. The CBS trend index eased 1.3 to 177.8. Royal Dutch gained FI 1.90 to FI 138.80 after reporting a

WEDEN ANNUAL REPORT INDEX 1989. The FFV Group employs close to 10,000 persons who work at more than fifty units in Sweden and other parts of the world. Business Group Telub is one of the largest consulting and technology-based companies in the Nordic region. Business Group Holding is responsible for developing those Group companies which do not naturally relate to the Group's core businesses. Business Group Development comprises those companies which supply the Group with joint technology. Business Group Ordnance develops, manufactures and markets military materiel such as infantry and underwater weapons and landmines. Business Group Aerotech is an internationally oriented, non-affiliated aviation maintenance company with units in Europe, the USA and the Far East.